World Business Newspaper http://www.FT.com

THURSDAY MAY 28 1998



Lucent's Henry Schacht 'Too many get cold feet as retirement approaches' Profile, Page 10



EU companies statute **Broad principles may** be agreed next week Page 3



Catastrophe bonds Struggling to compete with the reinsurance market Page 6

Accidental Theorist **Economics guide for** the perplexed Page 12

WORLD NEWS

Tens of thousands of Korean workers join general strike against job losses

Tens of thousands of South Korean workers yesterday launched a two-day general strike against unemployment as the govemment, struggling with the worst recession in two decades, warned union leaders the action was illegal. Page 14

EU near deal on company law European Union states are close to a deal on a company statute aimed at allowing multinationals to operate more efficiently across the EU.

Serbs halt student protest Serbian police prevented more than 1,000 students from marching through Beigrade in protest at a new law that imposes direct government control over their university. Page 2

India backs disarmament Indian Prime Minister Atal Behart Vajpayee told parliament Delhi would pursue global nuclear disarmament in international forums and refrain from exporting nuclear technology. Page 4

Beef exports to go ahead The European Commission decided Northern Ireland can start exporting beef from next Monday, for the first time for more than two

years. Page 9 France fears World Cup terror France said it had "real and troubling" evidence of militant Islamic threats to next month's World Cup soccer championships.

Iran-Saudi accord signed Iran and Saudi Arabia signed an agreement to co-operate in a broad range of fields ranging from business and investment to culture

Danish PM calls for Yes vote Danish Prime Minister Poul Nyrup Rasmussen appealed for a Yes vote in today's close-fought referandum to endorse closer European Integration, Page 3

and sports. Page 8

US 'wants France back in Nato' A senior US senator said Washington will work hard to have France return to being a full member of Nato despite French efforts to "imtate" the US. Page 6

Minister survives calls to quit Angela Merkel, the German environment minister at the centre of a row over contaminated nuclear waste transports, survived a call from the Greens for her resignation. Page 2

Georgian government blamed Demonstrators in Tbilisi blamed the government for allowing 30,000 Georgians to be driven from the buffer zone with rebel Abkhazia.

Concern over UK inflation A Bank of England official said UK inflation will continue to rise unless wages and consumption are kept under control. Page 9

Greenneace seeks pipeline ban Greenpeace is seeking a court injunction to halt construction of a gas pipeline it says threatens rgentina's dwindling jaguar population. Page 7

Taxi protest folled A federal judge stopped a plan by New York City taxi drivers to drive slowly through the city in protest at proposed new rules of conduct.

Hour pictures were unable to run in this edition because of transmission problems to print sites.

Daimler investors welcome Chrysler merger as chairman rules out job cuts

as chairman Jürgen Schrempp promised there would be no job cuts and vowed to protect the Mercedes-Benz brand, Also, German unions agreed that US car workers would be represented on the supervisory board of the new Dairnier-Chrysler group. Page 15

British Airways reported annual pre-tax profits down 9.4 per cent to £580m (\$945m) due to the strong pound and a strike by cabin crew, but lower fuel prices and cost-cutting helped hold the decline to less than expected. Page 15; Comment, Page 20

Switzerland's federal government approved draft legislation to sever the Swiss franc's link to gold, setting the stage for a referendum and constitutional amendment that would allow the Swiss National Bank to sell half its reserves, about ,300 tonnes. Page 2

CSN, Brazil's biggest steel group, and Thyssen Krupp Stahl of Germany, the world's number three, will invest \$250m in a joint venture to make galvanised products for the motor industry in Brazil and

Kone of Finland, one of the world's largest elevator and escalator manufacturers, is forging a global alliance with Toshiba of Japan to exploit rising demand for lifts and moving walkways. Page 18

private bank, came to the rescue run Ionian Bank which is at the centre of violent labour protests over privatisation policy. Page 3

Hetomo "Tomeny" Mendala Putra, youngest son of Indonesia's former president Suharto, dismissed reports he may sell his 60 per cent stake in Lamborghini, the Italian sports car maker, to Volkswagen of Germany. Page 19

Air France, the French national carrier, reported its first full-year net profit for several years but chairman Jean-Cyril Spinetta said its partial privatisation would be put off until after summer. Page 18

UK pension funds made an average return of 11 per cent in the first quarter, the highest for more than five years, compared In the last quarter of 1997, but WM, the performance measurement company, warned that cent in this quarter. Page 9

PolyGram, Europe's largest music group, is to launch two experimenit will sell selected albums at the same wholesale price throughout Europe, Page 8

Daimler-Benz shareholders

other regional countries. Page 17

Nissan, Japan's second-largest carmaker, unveiled its fourth loss in five years because of sluggish sales. The results contrasted sharply with record profits by Toyota and Honda, which enjoyed buoyant demand overseas. Page 15; Gearing up for European

Alnha Credit, Greece's biggest of the Socialist government with an

BUSINESS NEWS

velcomed the merger with Chrysler

integration, Page 19

with a loss of just over 1 per cent returns were running below 2 per

tel promotions next month in which

Asia fears hit world stock markets

Concerns over economic problems halt record-breaking run on Wall Street

By Philip Coggan and John Ridding Worries about Asia's economic problems sent world stock markets into a spin yesterday, prompting an end to the recent record-breaking run on Wall

Street and in Europe. The US stock market had started to slip on Tuesday, when the Dow Jones Industrial Average fell 150 points, and investors' confidence was dented further yesterday by a sharp drop in the

Hong Kong market. The Hang Seng index fell 5.3 per cent after Tung Chee-hwa, the territory's chief executive, said economic growth would fall substantially and could even be

First quarter growth figures due tomorrow are expected to show a fall in output and to signal the territory's first recession Investment analysts said the

legislative election to signal the

severity of the downturn. Last

weekend Donald Tsang, financial secretary, said he saw no need to revise his forecast of 3.5 per cent growth for the year.

Meanwhile, the continued weakness of the Japanese financial system was illustrated when Moody's reduced its credit ratings of five Japanese banks, including Bank of Tokyo-Mitsubishi and Dai-Ichi Kangyo Bank, after the sector's recent set of poor results. The Nikkei 225 average fell 220.53 to 15,664.29.

Analysts said the fall of the Japanese yen, which hit a sevenyear low against the US dollar on Tuesday, may have sparked the sell-off.

Joe Rooney, global strategist at Lehman Brothers, said: "Trouble has been brewing under the surface for a few weeks. The weakness of the yen is a threat to Japan's Asian competitors such as Thailand and Korea and raises fears of a Chinese devaluation, government appeared to have which puts pressure on Hong waited until after this week's Kong. Wall Street has fallen in response to the deterioration of conditions in Asia.

Markets webble on Hong Kong worries Hong Kong Hang Seng index (1000)

Evidence of Asia's problems revived worries that economic, and corporate earnings, growth in the US and Europe might be

The crisis in Russia, where the central bank trebled interest rates to defend the rouble, also dented sentiment. Europe's stock markets fell by around 2-3 per cent, with the FTSE Eurotop 100 index dropping 63.8 to 2,812.42. In London, the FTSE 100 index fell 100.5 to 5.870.3.

adversely affected.

Wall Street gave another down-

opened lower in response to falls 27 per cent since the start of the in the rest of the world. By 1pm New York time, the Dow Jones Industrial Average was 106.12 points, or 1.2 per cent, down at 8,857.61.

5200

Monday, was down 3.6 per cent by early afternoon. Some analysts feit the fall in

European markets was an inevitable setback after their recent strength. Before yesterday the London stocks, Page 30 ward twist to the spiral when it FT/S&P Europe index had risen World stocks, Page 34

year, in dollar terms, and 53 per cent since the start of 1997. lan Harnett, director of

European strategy at BT Alex Brown, said: "European markets Turbulence also continued to are still above equilibrium levels hit the Brazilian market which, and we have still not seen the having fallen 5.8 per cent on full extent of the correction we

> Bonds, Page 22 Currencies, Page 23

Russia triples interest rates to 150% as rouble stumbles

By Chrystia Freeland in Moscow

The Russian central bank tripled interest rates to 150 per cent yesterday in a last ditch effort to defend the rouble and restore stability to the financial system.

President Boris Yeltsin has summoned his most important economic advisers to an emergency meeting in the Kremlin today to fight off one of the worst crises Russia's nascent market economy has endured.

The rate rise came in response to turmoil on Russian markets. where share prices fell by more a lu der cent in the course of bills soared above 80 per cent.

tral bank's daily target corridor, overheated market. but strengthened after the interest rate rise. Shares have fallen mettle of Sergei Kiriyenko, signal to the markets that they 40 per cent since the start of the Russia's new prime minister. month and have lost more than whose team has already suffered half their value since the begin- one setback this week when it ning of the year.

etary Fund, have raised the possi- That may have helped trigger Editorial Comment, Page 13

the rouble. The Kremlin is also the treasury of the \$2.1bn it had hoping the IMF will decide by the end of this week to release a \$670m tranche of Russia's threeyear \$9.2bn loan. A senior IMF official is expected to arrive in Moscow for talks today.

managing director, sought yesterday to calm Russia's troubled markets. "Contrary to what

was an effort to defend ordinary the day and yields on treasury Russians and to fight off "speculators" who hoped to profit from The rouble, rocked by fears of fears of a devaluation. The rise devaluation, edged below the cen- would be a "cold shower" for the

failed on Tuesday to find a buyer Russian officials, in negotia- for Rosneft, the largest Russian tions with the International Mon- oil company still to be privatised.

bility of a special fund to defend vesterday's turmoil by depriving expected to make from the sale.

The frantic selling followed weeks of steady deterioration of the Russian financial system. Last week Russian equities shed more than 11 per cent in a day, Michel Camdessus, the IMF prompting the central bank to raise interest rates from 30 to 50 per cent.

Investor concern has focused markets and commentators are on Russia's public finances, parimagining, this is not a crisis," he ticularly its inability to boost tax collection. After gradually Sergei Dubinin, the central improving in the first quarter of bank chairman, said the rate rise the year, tax revenues fell last month and are expected to be poor this month as well. Russia's woes have been heightened by falling international prices for oil, a major export earner.

"The central bank had one sin-The turbulence will test the gle purpose - to give a strong will not be dissuaded from defending the rouble, even at the cost of horrific interest rates,' said Martin Diggle at Moscow brokerage Brunswick Warburg.

Brussels blocks Bertelsmann-Kirch digital pay TV deal

By Samar iskandar in Brussels

The European Commission yesterday blocked a planned German digital pay TV venture, after Bertelsmann, one of the partners, refused to back a lastminute compromise which would have saved the deal.

merging DF-1, a loss-making digital TV service run by Kirch, the German media group, with Premiere, an analogue TV service controlled jointly by Kirch and CLT-Ufa, the Luxembourg media company part-owned by Bertelsmann of Germany.

The decision to outlaw the deal threatens to delay by several years the introduction of digital TV in Germany and will increase speculation about the financial position of Kirch, which has accumulated substantial debt to buy rights to popular Hollywood films. Kirch said the Commission decision would not affect its abil-

ity to do business. Brussels has only blocked eight deals since it was given wideranging powers to vet large merg-ers in 1990. Karel Van Miert, EU competition commissioner, said of yesterday's decision: "The European Commission has just must have time to consult other decided unanimously to prohibit the joint venture."

Commission did not have to vote on the joint venture, avoiding the possibility of divisions between commissioners being made public. Other commissioners bad urged Mr Van Miert to take into account the industrial and cultural importance of the deal.

Mr Van Miert said an accept The proposed deal involved able solution had been within reach of the companies and the Commission, Negotiations had continued until Tuesday and Mr Van Miert had taken the "unusual" step of suggesting a last-minute compromise. "l made a verbal proposal which was accepted by Kirch but

> he said. "Bertelsmann [later] confirmed in writing that it did not want to move at all." The companies had already made several sacrifices in an

attempt to obtain Commission clearance. Mr Van Miert said the Commission and companies should try in future to avoid last-minute negotiations. "A month before deadline (for concluding merger investigations), the Commission should make a decision, to let the

parties know that they cannot

drag their feet," he said. "We

parties involved ... Footdragging can sometimes go too far." Bertelsmann's refusal to agree How Van Miert held the line, Page 2 compromise meant that the

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WORLD NEWS

IOSCO deal to reduce securities risks

By Andrew Jack in Parls and Jim Kelly in London

International securities regulators in Paris yesterday agreed draft plans designed to reduce systemic risks in

national stock exchanges. IOSCO, the International Organisation of Securities Commissions, described as "ground-breaking" the introduction of this explicit objective into their framework document. It would come alongside the more conven-

and other countries, of protecting investors and ensuring the fair and efficient operation of markets.

The IOSCO meeting also approved two technical statements which lay out new recommendations on the identification, monitoring and management of risks, and on methodologies to determine the minimum capital standards required by securities firms.

The draft documents on tional objectives, already risk, which have already

enshrined in law in the US been widely circulated and approved by securities regulators including the US Secu- Futures Commission, who rities and Exchange Commission, are likely to be lines, said they would prove formally ratified at IOSCO's useful to the International next annual meeting in Nai-

> The document on capital and other organisations standards brings IOSCO involved in supervising new closer to the methodologies favoured by the Basle Committee on Banking Supervimarkets were especially sion based on complex 'value at risk" models. As a result IOSCO expects to reduce market distortions.

Tony Neoh, head of the the money available in the sure on topics including Hong Kong Securities and worldwide banking system. Concern about risks to the helped co-ordinate the guidefinancial sector has risen

since the Barings crisis, the problems in Asia and political pressure from the G7 leading industrial countries. The regulators also approved a document on rec-

non-financial statement disclosure standards for crossborder offerings and initial listings by foreign issuers. It recommends within pro-

spectuses widespread disclo-

ommended international

boardroom practices, directors' compensation and stock options, business trends and the ways in which capital raised will be used.

Later this year IOSCO will consider for endorsement a package of accounting standards developed by the International Accounting Standards Committee (IASC). These are also designed to facilitate cross-border listings. The SEC has indicated that endorsement is not a foregone conclusion.

EU COMPETITION POLICY BRUSSELS BLOCKS GERMAN PAY-TV DEAL

How Van Miert held the line against lobbies

and Frederick Stilder

The European Commission's decision to block the German digital pay-TV project proposed by the media groups Kirch and Bertelsmann appears to be a big scalp for the trust-busters of

Despite considerable lobbving from the companies and German politicians, the Commission and its champion of fair competition, Karel Van Miert, stood their

The result is that viewers in Europe's biggest media

Prague

bank

sell-off

election next month.

be placed in the next two

the new administration.

conroversial because the Socia Democrats - who lead

in ophion polls and backed

the government in a vote of

confidence in January -

have demanded that the

esponsible for Advertising content. Colin Kennard, Printer: Historyet International

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GERMANY:

FRANCE:

SWEDEN:

By Robert Anderson in Prague

The caretaker Czech cabinet

launches

longer for the promised wonders of the multi-channel. inter-active world of digital pay-TV. But it is also a severe financial setback for Kirch, and many egos will doubtless be bruised.

Deutsche Telekom, the partly privatised telecoms company, was also to have been involved in developing the technology needed for the broadcasting and reception of digital programming and the distribution of the product on its cable net-

Yesterday's decision

ulatory policy for "new the technology needed to media" industries, such as watch them and distribution, digital pay-TV, where for some time the need for basic guidelines has been recog-

In fact, the decision was not so clear-cut. It was only Bertelsmann's refusal to make more concessions which allowed Mr Van Miert to claim that the subsequent decision by the Commission to block the deal was unani-

At least eight commissioners, including two each from Germany, France and Spain. appears to mark a signifi- disputed Mr Van Miert's

the proposed deal would create a dominant market posi-

Monetary Fund, the Bank

for International Settlements

He argued that efforts to

control risk in the financial

important now that the total

funds they contained - more

than \$20,000bn - exceeded

regulatory structures.

ics in the Commission were persuaded by the companies arguments that the high cost and risk of establishing digital pay-TV in Germany merited a more lenient regulatory stance. Another factor, common to

the "cultural" industries as a whole, was the national and linguistic sensitivities involved in television. But with Bertelsmann's moved closer to an agreement in recent weeks ahead of a scheduled final decision on June 3, and Bertelsmann's decision to pull out at the last stage reveals significant differences between the two companies, which have often been unwilling

needed. Both sides had

While Kirch was prepared to make more concessions, Bertelsmann said any more revisions would have made the deal economically

The final stumbling block was the demand from the Commission that indepenwithdrawai, no vote was dent cable operators should

own pay-per-view packages either alongside or including those offered by Premiere. This followed earlier con

cessions by the companies to bring third parties into the circle of shareholders of Beta Research, the technology and distribution company. and to make 25 per cent of the films to which Kirch holds the pay-tv rights available to other

Yesterday both companies said they would seek to reach a new solution and that the conversion of Premi-

Slovak airwaves out of bounds to poll campaign debate

Meciar has raised the stakes in his feud with non-state media, writes Robert Anderson

yesterday agreed to adver-tise the sale of one of the country's biggest banks but to leave the disposal of the I its feud with the nonother two state-owned banks state media by passing a law to the new government that will curtail political covformed after the general erage by private broadcasters before the general elec-An advertisement for the tion in September.

sale of more than 51 per cent An amendment to the election law will limit political of the state's 66 per cent stake in Ceskoslovenska coverage to party broadcasts Obchodni Banka (CSOB), the on the state-run television old foreign trade bank, will and radio stations and appears to restrict non-state broadcasters to reporting weeks. The government will identify the single bidders election events in news bulwhich qualify and will leave letins or face fines of Sk5m (\$147,000).

the choice of the winner to "We still don't know the new government will place advertisements by the end of Radio Twist. "We think it July for Komercni Banka, will be absolutely impossible the country's biggest bank, to have round-table discusand Ceska Sporitelna, the sions about politics 30 days before the elections. But in main retail bank. A single buver or a consortium will our news programmes we be able to bid for more than will be telling people what is happening and we expect 34 per cent of the state's attacks on us for this." stakes of just under 50 per

Critics of the law fear that The sales are likely to be its ban on "election camof particular interest to west | paigning" will encompass European banks, which are any reporting or discussion keen to expand their of election matters outside operations in the region. The news bulletins by Radio European Bank for Recon- Twist and Markiza Television, which the government struction and Development has also signalled that it is of Vladimir Meciar, the prepared to come in along-side a strategic investor, and mouthpieces for the opposiin the case of CSOB it has

discussed buying the Slovak government's 34 per cent However, the early advertisment of CSOB will be

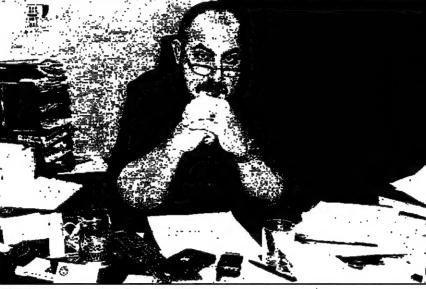
he Slovak government the intolerance of political has raised the stakes in opposition that led the European Union last year to leave Slovakia out of its first wave of potential new members.

In its opinion given last summer the EU's executive highlighted media freedom, commenting: "The government has exercised considerable influence on the public radio and TV networks, marked in particular by a very substantial imbalance in the amount of access granted to the government and the opposition.

The opposition fears that the state-run television and says Andrej Hryc, director of help put Mr Meciar back in pers to balance what is a contention for his fourth media is vital."

The move against the electronic media follows the fail- company controlled by govure to tame the print media last year. The government planned to raise consumption tax from 6 per cent to 23 per cent for newspapers which have advertisements covering more than 10 per nova Sluzba, the largest cent of their space. After a concerted cam-

prime minister, regards as paign of opposition from half the country's periodical controlled by the US-owned newspapers and rumblings of dissent from the two fears among independent Enterprises, has not come smaller parties in the ruling example of what is viewed as coalition, the government be used as a threat in the sure but it has only recently



backed down and agreed election run-up.
that the rise would only International media organapply to periodicals with more than 50 per cent adver-

appears to be building up a influential opposition daily, credited with creating the radio will follow a brief to network of friendly newspalargely hostile print media. term in office. Western dip- The ruling Movement for a lomats are also concerned. Democratic Slovakia already One ambassador says: "Elec- has its own party newspations will be the acid test. per, Slovenska Republika, Access to the electronic which is favoured with state support. Now Danubiaprint. a printing and publishing ernment supporters, is setting up a group of regional newspapers ahead of the elections.

Rarlier this year Danubiaprint privatised Prva Noviprint media distributor, giving it control over more than print facilities and raising newspapers that this could

isations have already criticised several incidents of

had his car fire-bombed. Radio Twist was shut down enter politics." for 24 hours last year for a delay in paying a small telecoms bill when state radio owed the state telecoms comhas also had its transmitters vandalised and is regularly fined for minor licence

infringements. Markiza, the racy leading television station 49 per cent Central European Media

become closely identified with an opposition party. Pavol Rusko, general director and co-owner. media harassment. Karol insists his station is indepen-Instead the government Jezik, editor of Sme, an dent though it is widely says his paper has been reg- bandwagon behind the new ularly sued and had its Party of Civic Understanding printing contract cancelled lead by Rudolf Schuster, the after government pressure. mayor of Kosice. "The cur-Most seriously, last year his rent politicians do not have chief investigative reporter any credibility," he says. "I only want to help this pro-Mr Hryc complains that cess in which new people

> The Slovak media reflect the state of the country's politics rather than hold a mirror up to it. Slovak polipany far more Radio Twist tics is a winner-takes-all game in which a frustrated opposition plays parliamentary games and mounts pub lic demonstrations to make itself heard. In the same way, the polarised debate in the media has become increasingly degraded, with opposition newspapers subjecting Mr Meciar to a bar-

Serbian police block university protest

By Guy Dinanore in Belgrade

Serbian police yesterday caretaker abinet does not prevented more than 1,000 bind the hards of its successtudents from marching through Belgrade in protest FINANCIAL TIMES
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(Europe) GmbH is Pearson Overseas Holdmrs. Lunnted, J. Burtington Gardens, Logdon, WIX I.LE. Shareholder of this
company is Pearson pic, registered in the
cumpany is Pearson pic, registered in the at a new law that imposes direct government control over their university, the latest move by President Slobodan Milosevic to consolidate his power.

The mood was more goodhumoured than on Tuesday, versity.

when uniformed and plaindent demonstrators outside the Serbian parliament and

injured about 20. The ruling coalition of Mr Milosevic's Socialists and night that allows the government to appoint directly the rector, deans and management board of Belgrade Uni-

exists in some universities," Ratko Markovic, deputy prime minister, told parlia-

Serbian students launched the ultra-nationalist Radicals a winter of political unrest Yugoslav president, to authorities by rebroadcast-passed a law on Tuesday in Serbia in late 1996 after regain the control for his for-ing news bulletins of Bel-Mr Milosevic refused to recognise opposition victo- key institutions. Last week B-92 itself was given a freries in nationwide local elec- Mr Milosevic orchestrated quency but at an exorbitant tions. The inventive enthusi- the dismissal of the federal fee that it cannot afford and asm of the students prime minister, Radoje Kon- says it will not pay.

"This law is expected to galvanised people across the tic, whose loyalty had clothes police attacked stu- change a sick state that country, forcing Mr Milos-

> part of a wider strategy by radio and television stations Mr Milosevic, the federal that have irritated the mer communist party over grade's B-92 radio station.

months of street protests.

wavered. evic to cave in after three This month the federal government denied frequen-

rage of personal abuse.

Diplomats see the law as cies to local independent

France to sell shares in Aerospatiale

By David Owen in Paris

The French government has given clearance for the capitors, in a fresh boost for the

The office of Lionel Jospin,

ships and the development pany next year. tal of Aerospatiale, the state- of future industrial proowned aerospace group, to grammes, the government Dasa are the leading sharebe opened to outside inves- had asked Mr Michot to sub- holders in Airbus, which at mit proposals "insofar as is present makes no profits or prospects of consolidation in necessary" for opening the losses in its own right. the European defence indus- company's capital and proceeding to a flotation.

prime minister, said in a important step, since it may wide-ranging restructuring statement the government help to assuage the concerns of Europe's aerospace and had given Yves Michot, the of British Aerospace and defence industries aimed at Aerospatiale chairman, a Daimler-Benz Aerospace creating entities capable of Mr Michot as much freedom tual Aerospatiale flotation mandate to "rapidly con- (Dasa) of Germany about competing effectively with as possible in negotiating and the proportion of capital clude essential strategic accepting the French state the leading US defence alliances with other aero- it is likely to involve are

aircraft, tactical missile and in Airbus Industrie. The air- put the French government show confidence in the space rocket sectors. craft consortium is to be
To facilitate such partner-turned into a limited comcraft consortium is to be under pressure to privatise newly reorganised Aerospa-

Aerospatiale, BAe and Airbus's transformation

into a single company is The statement marks an seen as a key stage in a agreements" in the combat as a long-term shareholder groups. BAe and Dasa have space companies and to uncertain.

Yesterday's statement also The announcement was reiterated that Mr Michot made less than two weeks should encourage Airbus's after Paris moved to transformation into an inte-strengthen its hand in negograted company in line with tiations on the future structhe agreed calendar, while ture of the European defence respecting French interests industry by transferring to and keeping watch over the Aerospatiale its 46 per cent development of Aerospa- stake in Dassault Aviation, tiale's activities.

Officials indicated the aircraft specialist. move was designed to give

tiale management team.

the military and executive

The timing of any even-

NEWS DIGEST

BULLION SALES ON WAY

Swiss government set to sever franc link with gold

The Swiss federal government approved draft legislation yesterday which severs the Swiss franc's link to gold, thus paving the way for the Swiss National Bank to sell about 1,300 tonnes of gold, or half of its reserve

The plan to revalue and gradually sell gold reserves requires partiamentary approval and amendment of the Swiss constitution. It must be endorsed by Swiss voters in a referendum. A finance ministry spokesman said the referendum would prob-

According to the plan, made public after a Swiss cabinet meeting in Bern, the National Bank could revalue its 2,590 tonnes of gold reserves to about 60 per cent of the current

The SNB's gold reserves are currently valued at a fixed price, spelled out by the Swiss constitution, of 4,595 Swiss francs per kilo. That is only roughly one-third of the current

Switzerland is the last major country in the world to officially link its currency to gold. Reuters, Bern

NUCLEAR WASTE ROW

Merkel wins Kohl's backing

Angela Merkel, the German environment minister at the centre of a row over contaminated nuclear waste transports, yesterday easily survived a call from the environmentalist Green party for her resignation.

In a noisy emergency debate that followed the discovery of excessive radiation on the outside of special "castor" containers used to ship used fuel elements from nuclear power stations, Helmut Kohl, the chancellor, gave Mrs Merkel his full

He told the Bundastag, the lower house of parliament, that Mrs Merkel was an "excellent" minister doing "a fantastic

All three parties in Mr Kohi's centre-right coalition voted against the Greens' demands that Mrs Merkel should resign. Although critical of the minister, the main coposition Social

Democratic party abstained. Mrs Merkel has proved a robust and determined defender of the government's nuclear policy since the row blew up last

She said yesterday the use of nuclear energy could be defended, but accused the industry of triggering a loss of confidence by keeping the contaminated waste shipments secret for many years. Peter Norman, Bonn

ICELANDIC LOCAL ELECTIONS

Defeat for Independence party

lociand's independence party, the dominant group in the twoparty coalition government, was yesterday sald to have suf-fered the largest defeat in its history after falling to retake control of Reykjavik in local elections.

The party, which has controlled the capital for most of the past 70 years, saw an alliance of leftwing parties win a second term in power in Reykjavik after elections at the weekend "This is the biggest defeat for the independence party and the most important victory for the left in localandic history," said Syanur Kristjansson, professor of political science at the University of Iceland,

The independence party, led by David Oddsson, prime min-ister, polled 45.24 per cent of the vote in Reykjavik, against 53.6 per cent for the four-party leftwing alliance.

Discontent at the ruling coalition, comprising the Independence and Progressive parties, has been fuelled recently by allegations of corruption and incompetence in the banking sector. Tim Burt, Stockholm

slovakian Power Plan

PM rejects plea for delay

Slovakia yesterday rejected the latest plea by the Austrian government to delay starting its controversial Mochovos nuclear power plant, which Austrian experts say may not be Vladimir Mediar, Slovakia's prime minister, has agreed to a

continuation of expert talks, but only under the auspices of the International Atomic Energy Agency. An IAEA spokesman said the agency had no serious worries about the safety standards of Mochovce, a Soviet-style

power plant that was started under communism and is now being completed with the help of western technology. The plant's operator, Slovenske Elektrame, plans to activate the nuclear fuel rods by the end of May and to have the first

reactor operating on a trial basis in July. But Wolfgang Kromp, the head of an Austrian-led team of experts which inspected the plant earlier this month, warned of the potential for "the biggest accident imaginable" if the nuclear fuel rods are activated before improvements are undertaken. Eric Frey, Vienna

RPR INVESTIGATION

Chirac denies 'crisis' tactics

President Jacques Chirac's office yesterday denied a newspaper report that it had formed a "crisis unit" to cope with the growing judicial investigations surrounding the RPR, the centre-right party founded by Mr Chirac. Le Monde said that Mr Chirac's secretary-general, his legal

adviser and the former head of the private office of Alain Juppe, the former RPR prime minister, had held meetings to consider how to counter-attack in the event that a magistrate questioned Mr Juppé. Mr Juppé denounced the report as an attempt to place

pressure on the legal investigations into the financing of the RPR. Media reports last week alleged the Paris city hall had paid for 300 RPR activists at a time when Mr Chirac was mayor and Mr Juppé his deputy for financial affairs. Andrew Jack, Paris

WORLD CUP

Strike may disrupt air travel

The threat of disruption to air travel in France during the World Cup football tournament which begins next month appeared to be growing yesterday after Air France pilots gave

formal notice of a two-week strike to start on June 1. The move, by the SNPL, the main pilots' union, is in protest at proposals by the company to cut its annual salary bill by FFr500m (\$84m). Pliots have been offered shares in the group in exchange for agreeing to such measures.

The SNPL said yesterday that if nothing changed before Sunday night, it was certain there would be a strike from Monday. But it described the timing of the World Cup as a "pollution of the situation" and said it did not intend to take

the tournament hostage, Air France, for its part, pledged to guarantee the transport of teams due to take part in the tournament, which kicks off on June 10. David Owen, Paris

Air France privatisation to be delayed, Page 18

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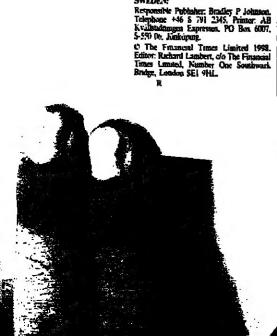
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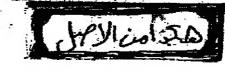
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Distribution for 24 Ottoman

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dichalisation





sation policy. Yannis Costopoulos, Alpha Credit's chairman, said in an interview with the FT that the bank would seek shareholders' approval next month for a Dr80bn-Dr90bn (\$265m-\$300m) capital increase to bid for a 51 per cent stake in Ionian, which is to be offered for sale through the Athens stock

"We intend to make a firm offer. We would pay quite a big premium on the bank's book value in order to demonstrate our confidence in has triggered repeated the capabilities of Ionian's strikes by bank staff, supworkforce," Mr Costopoulos

The government is under pressure from Brussels to speed up privatisation of state-controlled banks and public utilities, to ensure that Greece can meet a January 1 2001 deadline for join- tion of Labour. The bank ing the European monetary union, OTOE, announced



But the scheme to sell Ionian rather than merge it with its cash-strapped parent group, Commercial Bank, ported by transport and util-

ity workers. Riot police yesterday used tear gas to disperse demonstrators who tried to enter the parliament building during a one-day strike called by the General Confederamore strikes next month.

staged by state-controlled banks for the past two weeks have attracted comparatively little support. Alpha Credit's union boycotted the walkouts and participation by workers at state banks has averaged less than 40 per cent, analysts said.

The government has pledged that all 4,200 jobs at Ionian would be guaranteed for three years after the sale. Mr Costopoulos said ionian would not be merged with Alpha Credit "because

But the rolling strikes of the problems that would arise with trying to bring two separate pension funds in line". He said most of Ionian's 150 branches would be kept open to strengthen Alpha Credit's network. With assets of \$11bm and a

capital base of \$1bn after next month's increase, Alpha Credit is Greece's only European-sized private bank. Analysts said it would be likely to offer about Dr150bn for 51 per cent of Ionian, which has a book value of Dr90bp.

MPs accuse Shevardnadze

Leaders of Georgia's parliamentary factions met yesterday to discuss President Eduard Shevardnadze's decision not to send government troops to support partisan fighters in Georgia's ebel province of Abkhazia.

Earlier in the morning, a group of demonstrators gathared outside parliament and blamed the government for the "ethnic cleansing" of some 30,000 Georgians from the buffer zone separating Georgian-controlled territory from Abkhazia.

nadze's decision has been a forces," said Georgy Khutsishvili from the Institute of Conflict and Negotiations in Tbilisi. "This could destabilise the situation in Georgia and make it much harder to find a solution to the con-

southern region. The fight-ing quickly intensified, but nappings and banditry and calmed yesterday after a have been confined to their

radicalisation of opposition didi in western Georgia has stretched local resources. There are fears that the refugees' discontent could be used by external forces to foment further problems in the former Soviet republic.

In New York, Kofi Annan, UN Secretary General, has Pighting broke out recommended the despatch of a 294-strong force to proand Georgian partisans a week ago in Gali, Abkhazia's team of UN observers, who agreement took effect. barracks. The force may be
But a large influx of ethnic withdrawn in July unless

"The result of Shevard-Georgian refugees into the the security situation adze's decision has been a neighbouring town of Zug-improves markedly.

The president, who escaped attempt in February, said then that "reactionary" forces in Russia planned the attack to prevent Georgia winning the contract for a pipeline to carry crude oil from Central Asia to international markets. The prowould pass less than 100km from Abkhazia, but the alternative Russian route would pass through Chechnya and other republics in the north-

Support treaty, says Danish PM

Poul Nyrup Rasmussen,

Denmark's prime minister, has appealed for a Yes vote in the referendum today on the European Union's Amsterdam treaty on closer integration, in a sign that the government is not taking the result for granted.

A poll published in a Copenhagen newspaper yes-terday showed 45 per cent in favour to 35 per cent against. with 20 per cent undecided. "I would be surprised, but

not very surprised, if there will be isolated and will lose was a No majority tomor-influence." Marianne Jelved. row," a European diplomat minister for the economy,

The treaty prepares the way for former eastern bloc there is a No." countries to join the Ruro Both sides will be Denmark's fourth on

an EU issue in 12 years. Mr Nyrup Rasmussen made the appeal to voters during a national televised debate late on Tuesday. Looking anything but confident of victory, he warned:

"If there is a No. Denmark

said: "Denmark will become a blank space on the map if

Both sides have placed pean Union. The vote today adverts in women's magazines in an attempt to win over female voters, who seem more sceptical about ing extensive precautions in the treaty than men. Women voters oppose the treaty - by as much as 60 per cent

against 40 per cent in favour according to some polls. But the financial markets ity. The krone has strengthened slightly against the German mark over the past long-term government bonds has fallen, and the yield gap to German bonds has narrowed slightly.

Meanwhile, police are takcase there is a repetition of the riots which broke out in Copenhagen's inner suburb of Noerrebro after the 1993 vote to ratify the EU's Masstricht treaty.

Deal close on company statute to cut red tape

New law could bring the single market a step closer, reports Michael Smith

gling, European Union that the SE will do little to nations are tantalisingly tackle the problems. close to a deal on a European company statute aimed rejected the idea that as part at allowing multinationals to of the statute they would operate more efficiently allow companies to pay tax across the EU.

held up the deal.

While other countries have operation:

The into igreenient, there are bopes these too can be overcome, and that the broad principles covering the statute can be acreed at a meeting of social affairs ministers in Luxem-

bourg next week. The UK is keen for a deal as a trophy for its six-month EU presidency. It would help the other extreme, with a Tony Blair's government in its claims that it is batting for husiness. British Petroleum and British Aerospace are among companies which have been urging the UK to broker an agreement.

1.3

The statute's supporters say its adoption would bring the single market a step closer. Business would be better able to respond to pressures for economic globalisation, particularly in competing with US groups which benefit from a more integrated legal structure.

A business which adopted the statute would become a Societas Europaea (SE), Mulfinational companies say this would reduce the need for businesses to set up a complex network of subsidiaries governed by different national laws. Requirements for head office functions. separate boards of directors and annual meetings in each country would be reduced.

European Commission officials say mergers between companies of different countries would be easier to implement. "The statute would allow corporations to live under one set of company law rules," says Sue Binns, company law director at the Commission. "It would not solve all the problems of operating in more than one country, but it would be an immense simpli-

fication." Not everyone is enthusiastic, however. Alec Burnside. and Spain have yet to be a Brussels partner with law firm Linklaters & Paines. argues the statute would provide for little more than re-branding of national companies. "The European halo for companies adopting the SE may be valuable," he says. "But claims that it will simplify corporate affairs across Europe are wishful

thinking." The statute, he says, is limited because a series of issues including directors' liability, insolvency and tax are referred to the national law of the country where the rejection of the UK's propos-SE is registered. It will create a complex interaction chances of agreement for

ew laws have been lon- between tax regimes compliger in the making. But cate business and add to after 28 years of wran- costs, and are disappointed

But governments long ago in one country, leaving The UK and Germany are national authorities to sort moving towards resolving out their share. However, differences over worker rep- some EU officials believe tax resentation which have long reform will rise on the political agenda once SEs are in

> ever, is resolution of issues connected with worker representation. European countries have widely differing approaches, with Germany at one extreme enshrining in law a system with worker representatives on supervisory boards and the UK, at more constrained role for

The proposed deal provides for the worker repre-

Supporters say business would be better able to respond to pressures for economic globalisation

sentation model to be adopted in mergers between companies with opposing systems, although this would be overturned if two thirds of workers voted against participation. The British government argues this is justified since no company will be forced to

become an SE. Dirk Hudig, secretary general of Unice, the European employers' federation, is supportive of the broad principles of the statute. But he says a system that allows one-third of employees to decide is unacceptable. "It doesn't make sense for the minority to be able to impose their wishes on the majority." he says.

And while the UK has compromised, France, Italy convinced. France's opposition is supported by unions in a country where management and employee roles are traditionally kept separate. The UK is working on plans to appease the potential opponents on worker representation and to resolve other issues, including whether companies operating in one country only

EU officials believe a deal is closer than at any time in the last 28 years, and achievable. They also agree that als next Thursday would end between European and years, forcing companies to pursue other methods for Multinotionals have long simplifying pan-European

can convert into SEs.

INNOVATION IN

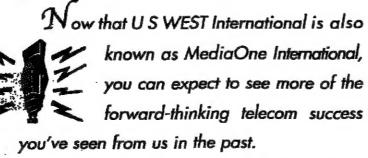
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THERE'S A NAME FOR THAT.

Actually,

MAKE THAT TWO.





Our success has included the world's first PCN wireless service and the world's first combined cable telephone service in the UK. Not to mention the first and now largest analog and digital wireless services in Central Europe. And cable telephone

services in five international markets, including the world's most highly penetrated markets.

Although it may seem unusual for a company to have two names, some would argue that success such as ours is equally unusual. Basically, if you're looking for innovation in global communications, just look for the one company.

The one company with two names, that is.

Kazakhstan affirms oil sell-off plans

By Charles Clover, Robert Corzine and Carlotta Gali in Astana, Kazaklestan

Kazakhstan's prime minister, long thought to be the main obstacle to privatisation of the country's strategic oil industry, said yesterday he was in favour of oil privatisation "if done correctly". He also affirmed the government would proceed share in two oil companies, Kumkol oil field, both sold shares in two large oil com- revenue requirements of the get," said Mr Jandosov. But nies this year, but if there probably later this year.

Two new shopping malls

are almost lifeless. In the

near-deserted hotels Filipino

from the US naval base.

sion is palpable in the poorer Shia villages. The occasional

Rovers and black-uniformed

security forces are remind-

est execution of a member

of the Shia Moslem majority

for "terrorist" activities,

write that Balgimbayev is ther privatisation of the oil pieces of the country's Asia Petroleum, and 60 per to launch the blue chip pro-against incorrectly done pri-vatisations but in favour of attracted the interest of a gramme, in which govern-the Chinese National Petro-

Mr Balgimbayev earned a tion concessions. fearsome reputation in the Nurian Balgimbayev said his first press conference and Aktiubemunaigas, on

Bahrain economy suffers as

The Gulf state has failed to entice private sector investment as repression and recession feed off each other, writes Robin Allen

n eerie silence descends al-Khalifa family, continues according to businessmen, to

A on the centre of Bah-to crack down on the slight-entice private sector invest-est sign of dissent. Last ment or to diversify beyond after the sun goes down and month the court, whose rul- oil and aluminium. Annual office workers leave to go lngs are not subject to per capita income, according

Bahrain is the smallest

handful of businessmen and oil reserves and some 15 per and its nominees head the sailors in civilian clothes cent of the world's reserves bureaucracy. But the Shia

ometres is a restricted zone.

Some 2.000 people per square

population density exceeded

Arabia. Bahrain has built up

offshore banking units

(OBUs), which sell or market

some 360 mutual funds, as

where only by Singapore.

and least wealthy of the six has a long history. Bahrain's

ers of the social unrest in Bahrain's service-based the *eminence grise* behind devoted to warning investors which 40 people, including economy depends on gifts of the ruler Sheikh Isa Bin Sul-

ates are in the city's shops. gans against the existing lower than Latvia.

political system".

of natural gas.

Shia dissent simmers

home. Drivers continue to appeal, issued a three-month

clog the peripheral highways suspended jail term against

late into the night, but few five women accused of noth-

Bahrainis and fewer expatri- ing more than "chanting slo-

singers go through the Gulf monarchies, which own

motions of crooning to a nearly 45 per cent of global

Away from the lights and It is also the most

the superficial suburban crowded. The southern half

gentility of Manama, the ten- of the island's 600 square kil-

presence of police Land kilometre live in the rest, a

five police, have died over oil and cash from Saudi

the past four years. Arabia. Bahrain has built up In the two years since the a financial services sector,

minority Sunni-dominated hosting 180 different finan-

government carried out its cial institutions including 46

Bahrain's state security well as oil and gas-based

court, set up by the ruling industries. But it has failed,

ter before being appointed preted as meaning only a share market. prime minister last month, halt to further oil explora-

But many local oil indusgovernment for battling try experts have continued against the privatisation of to think that Mr Balgimoil assets such as the bayev is behind the delays in in 1996. In February he used panies, Mangistaumunaigas in an interview with the since becoming prime minister the Kazakh stock exchange. cent of Mangistaumunaigas companies could be substiput up shares in other comfinancial Times: "You can ter to declare a halt to fur- They would be the show- to Indonesia-based Central tuted if it proved impossible panies."

to the World Bank and semi-

official Bahraini sources, has

fallen from \$10,000 in 1985 to

less than \$7,500 in 1996,

Public dissent, particularly

among the Shia majority,

al-Khalifa family holds all

the important cabinet posts

make up 70 per cent of the

island's 350,000 national pop-

ulation, half of whom are

under 15. Advised by Isn

Henderson, a reclusive 70-

year old former colonial

intelligence officer in Kenya,

widely thought to have

retired but still apparently

man, the state security

forces have "slammed the lid

correctly done privatisa- broad range of foreign com- ment stakes in five leading leum Corporation. panies. Since then his companies would be sold in While serving as oil minis- remarks have been inter- order to jump-start the local

the government would con- state budget. As of May 1 it however, that the governtinue with plans to sell the had raised 11bn tenge, ment did not want to modify two companies, this year if according to Uraz Jandosov, its privatisation schedule: "It possible. He said the size of the first deputy prime ministhe government stakes to be ter. "The blue chip prowith plans to sell part of its Shymkent refinery and the plans to sell remaining sold would depend on the gramme is vital for our bud-vatisation of these compa-

cil" has resulted in spread-

ing disaffection, including

Sunni lawyers and academ-

ics as well as businessmen,

who continue to push for

economic and social reform.

three paragraphs are

lack of transparency".

In a US embassy handout

One US analyst, a regular

This year, the government the holding company for the expects to raise 45bn tenge state-owned shares of Kaz-(\$585m) in privatisation reve akhstan's oil industry. But Mr Balgimbayev said nues, some 20 per cent of the yesterday he said shares in

are problems with the five Last year, it sold 60 per several other leading state blue chips, then we could



A Bahraini girl in front of graffiti saying 'parliament' in Arabic

time being pushed the owned industries. Officials exiles to return home." unrest off the streets. But refuse to comment on these the government's failure to and other criticisms. Local tackle unemployment, more publications are censored. than 30 per cent among the

Repression has its price. Shia, to curb state corrup- Many in the private sector tion, to get the economy business community say the economy is flat and represmoving, or to give a more economy is flat and repres-meaningful role to the sion has made it worse. so-called "consultative counfeed off each other. For more than two years

violence in December 1994, the government blamed Iran for formenting unrest. More recently it has blamed the European Union, and Britain in particular, for allowing the opposition to operate from London and for leading international criticism of the down" on physical displays visitor, remarked that in government's abuse of it creates jobs and gets the of unrest. According to Bahrain substantial rever human rights. One member economy moving, pressures human rights. One member economy moving, pressures senior western diplomats, nues from oil sales were of the Bahrain Bar Associabetween 1,000 and 2,000 are unaccounted for. In Bah- tion said: "We want the from the lack of self-sustainin jail. Businessmen, aca- rain's 1996 budget there are recall of parliament [dis- ing private sector investdemics and lawyers put the no references to revenue solved in 1976], a limit to ment, and increased unem-

Critics of the government say one sinister development is the building by the ruling family of a cordon somitaire around itself by giving nationality to between 8,000 and 10,000 Sunni families from Jordan, Syria, Pakistan and Yemen, whose men, working in the security services, would be loyal to the since the last outbreak of al-Khalifa family should unrest break out again on a scale which can no longer be contained.

"This is a war of attrition," said one lawyer. "The own the main sectors of economic activity and clamp figure at more than 5,000. estimates from any of the state corruption, release of ployment will force their NEWS DIGEST

AFRICAN ECONOMY

Insufficient savings rate likely to hit investment

Africa's economy is expected to grow 4 per cent this year but the region's low savings rate is not enough to finance the investment needed for rapid and sustained economic expansion, the Africa Development Bank warned yesterday. The average savings rate of about 17 per cent of GDP "is

barely sufficient to support higher investment required for growth", said the Bank in its annual report, and is well below the 24 per cent average of developing countries as a group. The Bank, which marks its 25th anniversery this year, estimates that Africa's real GDP grew at an estimated 3.7 per cent in 1997, as against 5 per cent in 1996 and an average

annual growth of 1.9 per cent for 1990-95. Although 34 countries recorded growth above 4 per cent. the report notes that larger economies, notably South Africa, Nigeria, Morocco and Congo, registered low or negative rates The continent's external debt stood at \$315bn at the end of 1997, with Algeria, Egypt, Nigeria, South Africa, Morocco and

Nory Coast accounting for more than half.

About \$5.5bn of foreign direct investment went to Africa in 1997, unchanged from 1996, amounting to 1.5 per cent of the total global investment flow. Michael Holman, Africa Editor

IRAN-SAUDI RELATIONS

Co-operation agreement signed

Iran and Saudi Arabia yesterday agreed to co-operate in a broad range of fields ranging from business and investment to culture and sports. The co-operation agreement was signed in Tehran by Prince Saud al-Falsal, Saudi foreign minister, and his Iranian counterpart, Kamal Kharrazi, according to Tehran

Prince Saud's two-day visit is seen as a landmark in improving relations between the two Moslem states after two decades of rivalry for power and influence in the region.

The agreement defines co-operation in economic, comme cial, technical, scientific, cultural, sports and joint investment fields, the state-run radio said, it includes the industrial and mining sectors, transport, trade, providing facilities for the two countries' businessmen and the expansion of tourism. The ministers also stressed co-operation in providing consular ser-vices, expansion of communications services, air and sea transport and environmental issues. Reuters, Tehran

un Palestinian agency

Donors to urge reforms

Donors will today urge the United Nations relief and works agency (UNRWA) for Palestinian refugees to introduce reforms as they look at ways to bridge the agency's \$20m deficit. At a donor conference opening in Amman, the UK - the

sbith largest donor – will announce a 35 per cent increase in its contribution to UNRWA from the \$6m provided in 1997-1998 in an expression of support for the plight of Pales-The fate of the 3.4m refugees, scattered across the Gaza Strip, the West Bank, Jordan, Syria and Lebanon, is one of thorniest issues in the deadlocked peace process and is to be

dualt with if and when final status talks begin. Donors believe UNRWA is in need of administrative reform and some countries are reluctant to increase their funding before changes are implemented. Route Khalaf, London

WORLD TRADE

The crackdown has for the country's principal state- detainees and the right of own changes."

Music group tries price harmony |US protests against

music group, will launch two to be taken over by Seagram, experimental promotions the Canadian entertainment next month in which it will sell selected albums at the declined to disclose details of same wholesale price throughout Europe.

The promotions, which involve a dozen Rolling identical prices in Europe on Stones' albums and "Best of" compilations by stars such as Elton John, Bon Jovi and Bryan Adams, come at a time when record companies face growing pressure to reduce price differentials across Europe in the

group, in a \$10.6bn deal, confirmed that it would be recorded music, and Sweden, selling selected albums at an experimental basis for a early June.

Traditionally, record companies have priced albums differently in each European country. The price is deter- France and Germany. mined by a combination of

price of an album varies by 10 per cent between France. generally the most expensive

which is the cheapest. Until recently, multinational music groups have limited period starting in been anxious to maintain price differentials across Europe, to protect their profit margins in more expensive markets such as However, record compa-

Typically, the wholesale various European countries common currency, has since the abolition of border controls. The free flow of goods, coupled with ing PolyGram and Bertelsthe promotions. However, it European country for advances in digital communications, has enabled European pricing strategies. record retailers and wholesalers to purchase albums

cheaply in weak currency

markets, such as Italy or Sweden, to sell them in stronger currency countries, notably the UK.

prompted several multinational music groups, includmann, to review their

In next month's promotions, PolyGram will sell 12 Rolling Stones albums, mostly recorded in the 1960s, at identical wholesale prices throughout Europe. The "Best Of" albums will be This increase in parallel sold at the same price in imports, coupled with con- continental Europe but cern that consumers could priced differently in the UK.

approach to European Monetary Union. PolyGram, which is poised to he taken was by Samuel to the artist in that market. The latest was the found it increasing to be taken was by Samuel to European Mone taken to European Mone

By Nancy Dunne in Washington

A 30.000-tonne sale of subsidised Finnish barley will be met by protesting farmers and a formal US retaliation when it docks this week at the Port of Stockton, California.

culture and state departments and the trade representative's office have been meeting to determine what action is needed to discourage further subsidised sales. Dan Glickman, US agriculture secretary, said the European Union could not

US officials from the agri-

expect our farmers to pay the price of their distorted ferm policies". It is believed that the shipment is being subsidised at a rate of \$51 per tonne - which would undercut US prices by about 20 per cent per bushel. US farmers are blaming an

announcement of the subsidised sale for a drop in barley prices earlier this spring. Madeleine Albright, UScretary of state, sent a protest letter to Jacoues Santer. European Commission chair-'appropriate" fashion. The letter indicates how seri-



threat of trade war over the issue, as secretaries of state rarely become involved in agriculture trade disputes. Grains farmers are furious about the shipment, "Wheat

will be next if the US fails to take decisive action to stop any further subsidised sales of European grain into the US market," said Bill Flory, president of National Association of Wheat Growers. "We not be tolerated."

The timing of the shipously the US regards the sitive. Farm prices are gen- US grain market.

US farmers are to receive less government help under the "Freedom to Farm Act". Mr Glickman is being urged to resurrect the US export subsidy programme to subsidise US barley in third markets where the US and EU compete head-on. He could also impose counter-vailing duties to block future subsidised barley imports. Franz Fischler, EU agricul ture commissioner, defended the sale, calling it a reflec-

erally lower this year, and

tion of high US barley prices compared with world prices The particular consignment in question... appears to be the result of very particular situations both as regards the exporter in Finland and the importer in the US, both of whom are private operators over which neither the Commission, nor I underhas any control," he said. Mr Flory said US farmers had already been hurt by heavily subsidised and unfair pricing practices of the EU in offshore markets". must send the message loud. He asked the US administraman, on Tuesday warning and clear that dumping must tion to seek immediate assurances from the EU that ment sale is particularly sen- to gain further access to the

Hong Kong businesses look to the north for their star turns

As the territory's economic engines lose power, opportunities are opening up on the mainland, writes John Ridding

Agrinds to a halt and the China, the mainland has grown in importance as the to deepen, the territory's tycoons are fixing their gaze more firmly to the north. An aquarium park, a housing project and a power

plant were among the investment projects agreed by Cheng Kar-shun when the Hong Kong businessman paid a visit to the central province of Shanxi last month. His New World Development, the biggest investor in China, said a further RMB3bn-RMB4bn (\$360m-\$480m) would be spent in the province over the next three years.

A few days later, and a few Cheung Kong Infrastructure it role as a regional hub. (CKI) signed a contract to invest in two water treatment plants in Hunan proviince. The deal added to the RMBI3bn in committed investment by the group, the infrastructure arm of Li Kashing's business empire.

China, which faces a collapse in investment from larly promising. The fact south-east Asia, Japan and that two of his nephews Korea and which requires have left Hong Kong to seek foreign capital and expertise their fortunes in Shanghai is to fuel its alowing economy. a sign of the times, he says. For Hong Kong they point to Henderson, New World a significant structural shift. and most of the other big

grown in importance as the territory's traditional engines, from property to retail, have lost power.

But the strategy is not without potential setbacks; profit in China is often elusive, and there are risks for the territory in tying its fortunes too closely to the mainland. "The role of Hong Kong in

China is increasing every day, but we must not forget our international role," says Vincent Lo, chairman of Shui On, the property and construction group. Hong Kong cannot afford to become just another Chinese hundred miles to the south, city, he says. It must retain For now, however, attention is focused on the north. Shul On, for instance, will soon be topping out the first

three blocks of a huge housing project in Shanghai. On completion the development will count 91 towers, each 34 These projects are vital for stories high. The Yangtse basin, says Mr Lo, is particu-

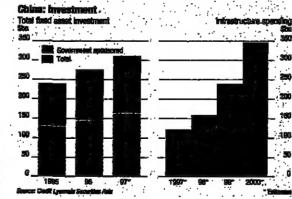
s Hong Kong's economy the biggest investor in becoming involved in housing projects, a trend which is likely to grow. Zhu Rongji, China's premier, has made housing a priority, while the prospects in Hong Kong's battered property market.

Infrastructure is an even bigger draw. "Almost all our capital investment is in China, and we are not going to slow down as a result of the economic situation," says H.L. Kam, group managing director of CKL "In 1997 we invested close to half a billion Hong Kong dollars. We should at least

achieve that this year.' Many of Hong Kong's conglomerates and the territory's big developers are well positioned for their mainland forays. Apart from their proximity, strong balance sheets ease the problem of the receipt of revenues. financing, a growing con- About half of the toll road straint as banks adopt a cautious stance towards the

also developed management analysts say the economic networks on the mainland. "In the past 10 years we and warn of a devaluation of have been involved in over 50 investment projects in 10 provinces," says Victor Chu, Hong Kong investors have chairman of First Eastern tailored their strategies.

Investment.



make bolder moves on the mainland. Opportunities will be increased, he believes, by the reform of state-owned enterprises and the withdrawal of other Asian investors who are seeking to cover losses at home.

Casualties are increasingly common, however, and easy opportunities are rare. The risks are also as real as before. New World, one of big Hong Kong conglomerthe most experienced main- ates are seeking to maximise land investors, became entangled in a protracted legal dispute over an airport scheme in Wuhan, delaying roads and power plants, projects covered in a recent study by Goldman Sachs fell short of traffic projections Hong Kong investors have last year, while investment slowdown is gathering pace

> the renminbi. Faced with these hazards,

On's housing scheme. Con tracts are frequently covered by an array of safeguard clauses in case of dispute. But the degree of protec tion afforded by such mea-sures is questionable. "Let's just say that you never want to test whether the legal clauses work," says one

Hong Kong director. CKI and many of the other returns by concentrating their projects. In Shantou, for instance, CKI has built while other companies in Mr Li's stable have built hotels and a container terminal. "Each project adds value to the others," says Mr Kam. The result is a growing

number of Hong Kong strongholds in the big mainland cities. That may provide protection against the pitfalls of Chinese projects. But it is a clear signal that the fortunes of corporate Many require a guaranteed Hong Kong are tied ever The result, he says, is that minimum rate of return - 15 more closely to develop-Although it has long been Hong Kong developers are his company is poised to per cent in the case of Shui ments across the border.

Worries grow as maritime trade with Indonesia slows

in Kuala Lumpur

Indonesia's maritime trade down for the region's ship-60 per cent of Indonesia's container trade.

The PSA Corp, which controls Singapore's port, insists business-is sound. Indonesian throughput handled at be expected to at least don- hood of an increase in the Port of Singapore ble," Mr Stokes said. "For piracy. "What has become a Authority was "still exporters facing tight delive mounting problem over the healthy", it said. "This is ery dates, what may start last two years is set to because while imports have out as penalties for late assume crisis proportions, slowed, the demand for delivery can easily lead to Mr Stokes said.

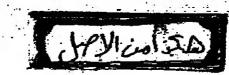
exports has increased due to outright cancellation." the ruplah's devaluation."

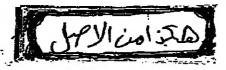
tor of regional marine res- during the first quarter of has come to almost a com- earch at Indosuez W.I. Carr this year forced the cancellaplete standstill in recent Securities in Singapore, says tion of Hong Kong's Orient days, raising fears of a slow- while 10 days or so ago con- Overseas Container Line's tainers leaving Jakarta were new Indonesia/Japan serping and for the Port of Sing-apore, which handles around difficulty finding ships for tune Orient Lines reported their goods because the fall 60 per cent load factors out in imports meant there were of Europe and as low as 40 few inhound vessels.

"Delays of two weeks pre south-east Asia. last week's troubles can now

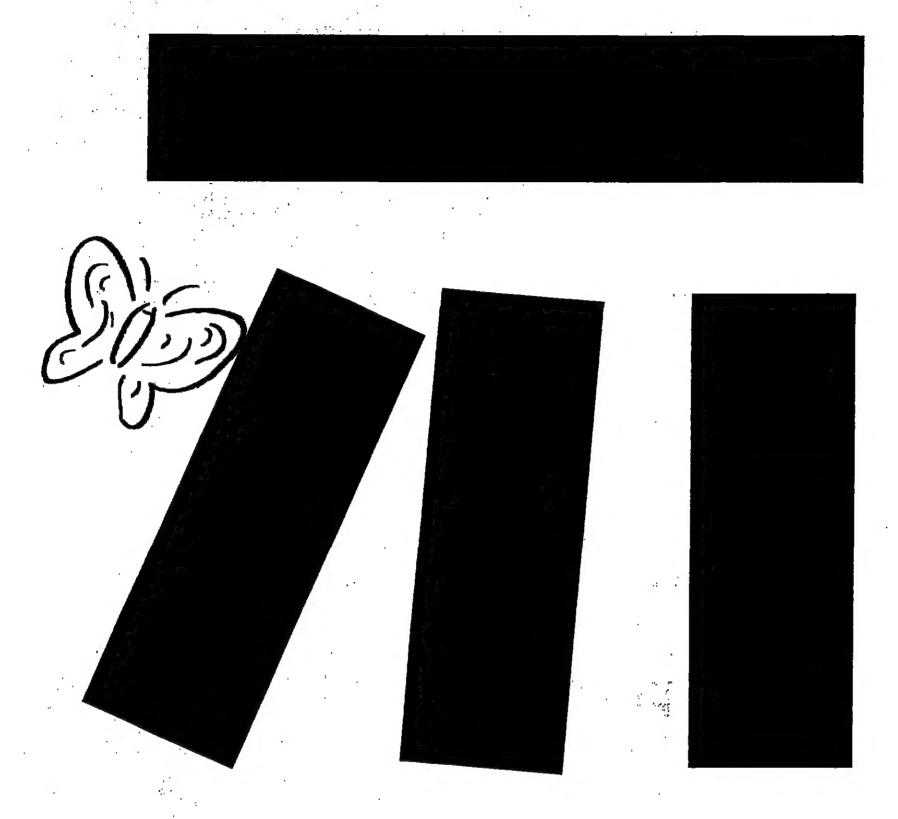
But Richard Stokes, direc- reduction in inbound cargo

per cent out of the US to There is also the likeli-





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The US administration is pushing for a delay in the annual vote on China's trade status, in an effort to stifle an embarrassing debate a vast lobbying effort when-before President Bill Clinton ever the status seems in leaves for a summit in Beijing on June 24. The president has until

June 3 to renew China's Most Favoured Nation trade status, an annual process which each year becomes a review - highly resented in Beijing - of China's actions on human rights, weapons he renews MFN. Congress has 90 days to vote to overrule the president.

The annual MFN exercise started in the late 1970s and no Congress has yet overruled a presidential decision to grant the special trade status to China.

The president is expected eventually to push through MFN for China. But the process will be complicated by controversy about Chinese influence over the Democratic party, which has soured the atmosphere and brought heavy criticism

down on the administration. agree to delay the vote, but made large contributions to observers believe attacks on the administration will only the licence was granted, the be deferred until after the summit. "This way Republicans get to rain on any positive publicity the president gets out of the trip," said one Democratic aide on Capitol

same low-level tariffs on Chinese goods as apply to imports from most other US trading partners. The US business community mounts jeopardy: MFN status was granted even after the Chinese authorities' violent repression of protests in Beijing's Tiananmen Square nine years ago.

The administration is trying to head off two controknown that Johnny Chung. prolueration and trade. After a California businessman who contributed heavily to the Democratic party. received some of his money from Liu Chaoying, the daughter of China's most powerful military official. These revelations put Ms Liu at the centre of a Justice Department investigation into alleged Chinese attempts to influence the

1996 elections. Republicans have also flercely criticised the president for issuing an export licence for the launch of a US satellite aboard a Chinese rocket. The satellite was built by Space Systems/ Congress is expected to Loral, whose chairman had the Democratic party. When company was reported to be under investigation by the Justice Department for passing sensitive information to the Chinese.

Feature, Page 13

WHEREVER THERE ARE PEOPLE.

White House Catastrophe bonds are ready, but where are the hurricanes?

Wall Street investment banks have invented products allowing calamity risks to be securitised and traded, but 1997 proved to be a disastrous year for disasters. John Authers reports

months Hurricane Otto or Hurricane Agatha may give Wall Street's newest product a much needed

Names have already been designated for the annual US hurricane season, which starts on June 1. Hurricanes have the power to inflict severe damage on the profits of US insurers, as was demonstrated most dramatically when Hurricane Andrew hit southern Florida and Louisiana in 1992, bringing insured losses of \$15.5m in

This was the worst of a series of catastrophes - others included Hurricane Hugo in 1989, which cost \$4.2bn. and the Northridge earthquake of 1994, which cost \$12.5bn. This led the industry to look for alternative ways of financing risks, and increasing their capacity. Wall Street believed it had

the answer. All the largest investment banks have devoted resources to inventing products which allow catastrophe risks to be securitised and traded on the market. All the instruments involved are complicated. but they usually involve insurers issuing bonds and retaining the right to withhold interest payments if a given severe weather event or hurricane occurs. (A catastrophe is any single event creating losses of \$25m or more for the industry.)

If there is no catastrophe.

investors will generally

receive a return slightly better than would have been available from investing in

disaster strikes, on the other since 1991. hand, they lose their interest payments, while in some of the products launched some of their capital might also be

at risk. This is different from conventional reinsurance. which involves insurance companies in paying premiums to a reinsurance company to cover themselves against losses abové a partic-

The argument was that the total volume of reinsurance business which US companies could safely write, estimated at about \$260bn by A.M. Best, the rating agency, was dwarfed by the total amount traded on world securities markets. tually be traded in the way that mortgages are now securitised and traded like

One investment banker said securitised catastrophs bonds would replace traditional reinsurance "as sure as night follows day". After a number of failed attempts in 1996, several catastrophe bonds were successfully launched ahead of last year's hurricane season.

According to the New York-based Insurance Services Organisation the total amount raised by these bonds so far is \$1.3bn in seven separate deals.

But, unfortunately for the investment banks, last year proved to be the most lenient hurricane season in a decade, with total US catastrophe losses of only \$2.6bn. Annual losses had been at

over the next few blue-chip corporate bonds. If least double this every year

The first quarter of this year was also relatively mild for insurers, with \$1bn in catastrophe losses. Investment banks pointed out that this would reassure investors and encourage them to buy catastrophe bonds in future. But it also sharply reduced the potential supply

Reinsurance companies took the opportunity to increase the amount of business they could underwrite, and to cut their prices, making it much harder for the securities industry to com-

It now seems unlikely that many more catastrophe bonds will be launched this such bond, worth \$84m, has been launched so far, although several other deals appear to be near comple-

nenior insurers believe it

will be many years until the bonds take a big share of the market. According to Hank Greenberg, chief executive of American International Group, the largest US insurer: "As long as reinsurance rates are as low as they are. I don't think there's a big merket for the financial sector to securitise. The financial sector will be there, and there will be a time for it. But at the moment there's no need for it, and it's not going to break down the walls in the fore-

Mr Greenberg's view is typical. While in 1996 discus-

eeable future."



sion of competition from securities markets dominated the industry in the US, most now believe the trend will take much longer to become established.

Ramani Ayer, chief executive of The Hartford, another of the largest US insurers, takes a similar view. He points out that it will be difficult for the financial sector to duplicate insurers' expertise in pricing risks.

He said: "When you are able to take a portfolio of risks then you should be able to securitise that portfolio. There's a lot of belief that it's a trend which will happen with time. But I don't see that happening dramatically or happening soon, because there's a very substantial amount of competency which is needed to underwrite reinsurance products, and securitising sn't the only component. Insurance involves a lot

more than just the transfer of risk." This leaves the nascent market for catastrophe bonds in need of another or Hugo.

Jeanne Dunleavy, insurance analyst at A.M. Best, said: "Unless you are going to be a pioneer, people can't economically justify going to the capital markets at this time, instead of taking traditional reinsurance. I think another big catastrophe would cause capacity to dry up and pricing to go up. That would cause people to look for more economical

he points out that Hurricane Andrew in 1992 Ocreated a demand for extra reinsurance capacity, and led swiftly to the creation of a large new reinsurance industry on Bermuda. But investment bankers are confident of the future

for securitised insurance, suggesting it could be applied to risks other than catastrophes, or sold directly to corporations rather than

One investment banker suggested that capital markets could match the prices

scale of Hurricanes Andrew said: "Even though the reinsurance markets are less expensive this year than they were last year, pricing in the capital markets has improved at a much more significant rate, and that's a function of investors becoming much more comfortable with the risk analysis that's available to them." He added that the new market would, like the securitised mortgage market before it, need to cross two thresholds before

establishing itself. First, it would need a "critical mass" of different risks. so investors can gain exposure to a range of different weather events and gain the advantage of diversification. Second, it would need a critical mass in terms of the sheer amount of deals writ-

But he admitted: "There is one difference, which is that there was no alternative market for mortgage risk. For insurance-related risks. there's already a reinsurance market. It's a cyclical market, and it happens to be very healthy at the

Court ban sought on Argentine gas pipeline

seeking a court injunction against Argentina's gas industry regulator Energas to halt construction of a The trans-Andean pipeline,

consortium - which includes Tractebel of Belgium and Southern Electric of the US would pass through the Yungas rainforest in northern Argentina. The environmental group says the pipeline threatens Argentina's dwindling jaguar population.

Susana Cordoba, federal judge, and Jorge Maiorano, national ombudsman, to try to halt construction on the grounds that Enargas did

"We are not against the pipeline in itself," said a Greenpeace spokeswoman. Claudia Molina: "We just don't want it to pass through this sensitive area. We have also long opposed forestry

projects there." The NorAndino project is the region aimed at transporting energy across the Andes to serve Chile's power-hungry mining belt. The GasAtacama project, whose main partners are CMS Energy of the US and Chile's Endesa, would transport gas via a more southerly route,

away from the rainforest. Chile's Chilgener has also embarked on a \$575m project to generate electricity from gas in Salta province and transport it across the Andes jaguars, the largest wild cat through a transmission line. in South America, are left.

ficient demand for all three schemes to be viable. Talks this year aimed at merging the two pipeline projects appear to have foundered.

Any delay to the NorAndino project could be a severe setback. Building scheme is already under way. If the judge rules in favour of Greenpeace, permission to build the NorAndino pipeline would be revoked and a public hearing would be called.

Greenpeace said the Jungas rainforest is the country's most biodiverse region line would cut through the home of the endangered lag uars. Only an estimated 200 jaguars, the largest wild cats

Mexican bank fights charge

By Leslie Crawford in Mexico City

Banca Serfin, Mexico's third-largest bank, is to plead not guilty to charges of money laundering brought by a federal grand

jury in the US. Serfin, as well as Bancomer, Mexico's second-largest bank, and Confia, a smaller financial group recently acquired by Citiweek following a secret

which US officials say -these three banks was so exposed a "systematic pat- systemic it would not be tern" of money laundering through Mexico's financial

According to the US Department of Justice, Serfin is alleged to have laundered \$7.7m for drug traffickers during the period of Investigation.

Bancomer is alleged to have laundered \$20.6m and Confia \$11m, US Justice Department officials said they felt the pattern of three-year investigation money laundering through

enough to indict individual In a statement, Banca Ser-

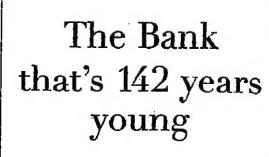
fin said it had not had access to the evidence presented by US authorities before the grand jury, but it would "defend its innocence".

Bancomer said it had chairman of the Federal Deposit Insurance Corporation in the US, to conduct an independent investigation of



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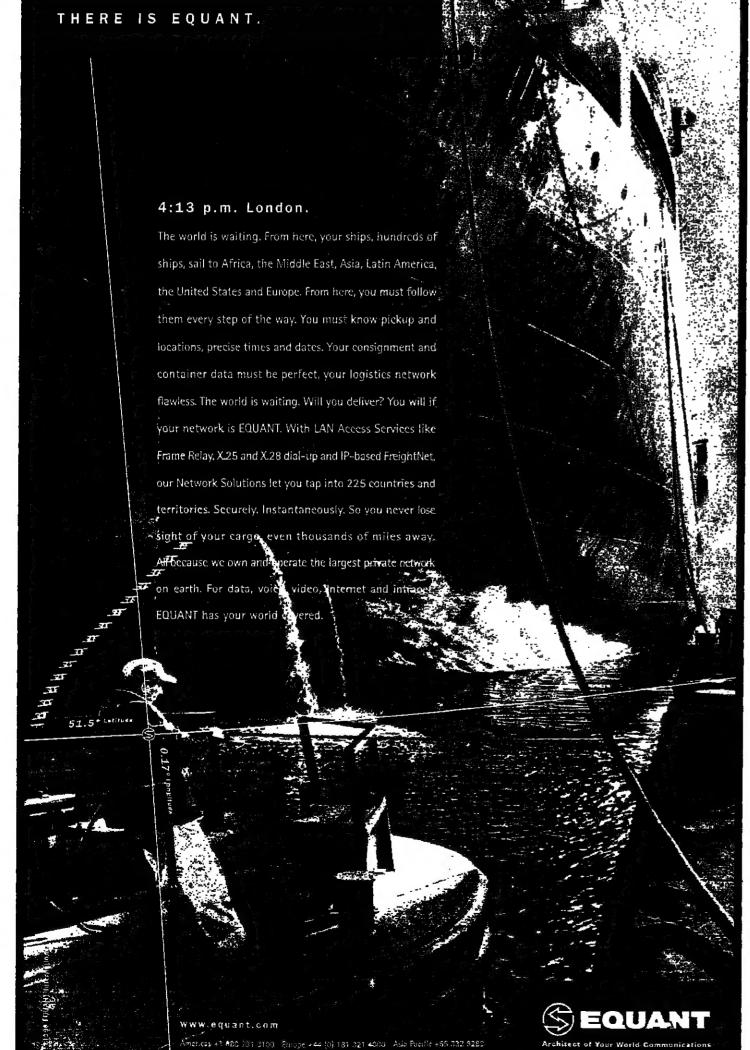


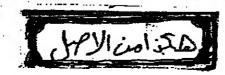


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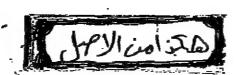


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mitted to the currency link, ties.



Tung Chee-hwa: We are in the depth of a major economic adjus-

Hong Kong sees decline in output

Hong Kong's economic downturn is much more first-quarter growth figures due tomorrow set to show a fall in output and to signal the territory's first recession

Donald Tsang, financial secretary, said the first quarter had been "very rough". Mr Tsang declined to comment on the first quarter statistics, but official sources and economists said firstquarter output had fallen by as much as 2 per cent yearon-year. Many private econo-

mists expect a further fall this quarter. "We are in the depth of a major economic adjustment, the result of which may be prolonged and painful, warned Tung Chee-hwa, the territory's chief executive. Speaking late on Tuesday, he said economic growth

may even be negative. Mr Tung's statement, his bleakest assessment of the territory's economic performance, stunned investors. The benchmark Hang Seng Index fell by 5.3 per cent to 8,983, below the psychological 9,000 level and almost 25 per cent below its March

Investment analysis said the government appeared to have waited until after this week's legislative election to signal the severity of the downturn. Last weekend Mr Tsang said be saw no need

and economists argue that adjusting the mechanism would further damage confihas prompted a sharp fall in property prices. Tourism and

retail spending have collapsed as a result of the regional economic turmoil. We are seeing just the beginning of a major dip," said Dong Tao, senior We will see negative

growth this year for sure,"

down growth and earnings forecasts for the year. HSBC Securities halved its gross domestic product forecast to 1 per cent growth, while the ber of Commerce, cut its estimate from 4 per cent to 2

While warning of the severity of the downturn, the government urged calm. "The fundamentals of our economy are very good. Our banking system is very healthy," said Mr Tsang. Mr Tung underlined the

need to restore competitiveness after years of rising property prices and high inflation, but said the government would be "flexible" in the supply of land. "The government does not wish to see a collapse in property executive added that Hong Kong's economy would be supported by its strong financial reserves and the continued growth in the mainland Chinese economy.

While surprised by the the face of the regional eco- cited positive factors. "The nomic crisis, it has been speed of restructuring shows hurt by a rise in interest the flexibility of the econrates to defend its currency omy," said Clive McDonnell, administration remains com- for North Asia at SG Securi-

Registered Office: Suceava, str. Zona Industriala Scheia nr. F.N.
Fiscal Code: R 717936.
Registration no. at Commercial Register Office: J 33/436/1991.

Issued stock capital, according to the latest records at the Commercial Registrer Office: 154,238,675 thousand ROL.

Turnover in 1996: 43,593,699 thousand ROL.

Total number of shares at a nominal value of 25,000 ROL each: 6,169,547. The share ownership structure is as follows:

☐ Net profit in 1996: 2,363,514 thousand ROL.
☐ Main scope of activity: designing, manufacturing and marketing of bearings.

The offer price for the 61.496 % issued share capital, i.e. 3,794,032 shares is 28,086,423 USD.

O State Ownership Fund Financial Investment Company Moldova Shares owners though mass privatization O Shares assigned to the manager

Only bidders that prove they acquire the Presentation File may submit their PURCHASING OFFER.

Weakening yen threatens to take neighbours down with it Further falls could have a devastating effect on other east Asian

countries needing to export more and threaten the stability of the HK dollar and the Chinese renminbi, writes Paul Abrahams

Tokyo headquarters of east Asian countries for the Keidanren, Japan's whom Japan is the biggest, most influential business pressure group, is dominated by an electronic display board. It does not show the Nikkei 225 index, nor the yield on the 10-year benchmark bond. Rather, it provides just one figure – the

In recent days, the executives entering the building have been glancing up at the board with more concern than usual. Whereas in 1995 they were anxious about the high against the dollar of Y80 - now they are worried by its weakness. Since February, the yen has depreciated more than 11 per cent. Last night it closed in Tokyo

The question is no longer whether the Japanese authorities can halt the slide they almost certainly cannot - but whether they can control the speed of its decline. Only last month analysts were talking privately about the yen reaching Y150 late this year. Now Such a fall could have a

he entrance to the devastating effect on other says Michael Naldrett, econ-Benson in Tokyo.

> or second-biggest, export market. It could also put the currencies of Hong Kong and China - which are pegged to US and Japanese economies. the US dollar - under more The consensus forecast for Y155 to the dollar is fairly 0.4 per cent. The US econ. omy is expected to expand scary," says Ron Bevacqua, economist at Merrill Lynch 3.1 per cent. Even though this has been

in Japan. "The Chinese and Hong Kong economies are already decelerating sharply, known in the market for and a ven that cheap could force them to devalue - not this year perhaps, but possibly next. That would lead to tions across the region, plunging the region back into crisis. I don't want to be too bearish, but it's a feasi-At the heart of the prob-

lem are the interest rate differentials between assets in the US and Japan. US treasury bonds are offering a yield of about 5.8 per cent, Japanese long bonds about 1.4 per cent. "For Japanese investors, the combination of the yield and the depreciation offers a 16 per cent differential – that's a powerful

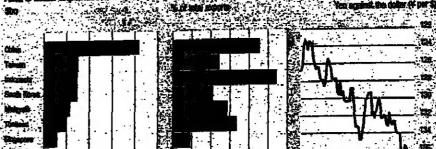
omist at Dresdner Kleinwort

These differentials are a stark reflection of the respective strengths of the Japanese economic growth this year is a contraction of

some time, Japan's terrible fundamentals have not been reflected in the exchange tors believed the Bank of Japan (BoJ), possibly with the US authorities, would intervene to support the yen. What has caused the recent acceleration in the yen's slide was a change in perception of BoJ and US Treasury policies. At the end of last week it became apparent that a substantial minority of the BoJ's policy-making committee believed Japanese short-term rates, already at a record low of 0.5

This appeared to suggest the Japanese authorities were relaxed about further

per cent, should be cut fur-



depreciation, an attitude qua at Merrill Lynch. "The imports into Japan collapsed apparently confirmed by the US Treasury views a strong 28 per cent year on-year. A depreciation, an attitude lack of intervention in the dollar as deflationary, slowency markets this week. The last attempt cost Japan 10 per cent of its exchange reserves and had no lasting impact in changing senti-

s for the US, on Mon-Aday, an unsourced article in US News and sted Robert Rubin, the US Treasury secretary, was willing to let the Japanese currency plunge if that was the only way of keeping the world's second biggest econony from collapsing. "Ryen though the report

was denied, it merely stated

me down the economy without the need to raise interest rates. Rubin doesn't want the yen falling off a cliff. If the yen is going to depreciate, he wants it to decline in an orderly manner Even so, an orderly decline

would provide little relief for the rest of Asia. True, over the past 18 months, on a sighted basis, the ven has actually appreciated. But the rest of Asia needs Japan, which accounts for 70 per cent of the region's gross domestic product, to import its goods in large and

depreciating yen will only hif imports more.

insists Peter Morgan, econo mist at HSBC in Tokyo. Changes in Japanese tax regulations could change sentiment, but such reforms this year at the earliest. Otherwise a surprise bailout of Japan's troubled banking system could prevent higher domestic demand.

The alternative is a crash in the US equity markets, which would have its own That is not happening. In worrying global conse

Plan for public funds to write off bad loans

By Gillian Tett in Tokyo

Japan should use public funds to help write off the banks' mountain of bad loans, a politician in Japan's ruling Liberal Democratic party proposed yesterday. Public money should also be spent to force through a wave of mergers among the banks, said Yoshimi Watanabe, the LDP member.

vide details of his plans but his comments will attract market attention because earlier this year he was the first LDP member to propose injecting public funds into the banks' capital base. Since then Y1,800bn (\$13bn) has been injected

growing signs that the LDP will soon unveil a second set of proposals to tackle of worse-than-expected bank- Purchasing real estate or

Japan's financial problems. **Earlier this month Ryutaro** Hashimoto, Japan's prime minister, pledged new policy steps to a meeting of the Group of Eight industrialised nations. In recent days the LDP has been engaged in intensive internal discussions about the bad loan

The debate has been given added urgency by the release the bad loans by:

These showed that total problem loans at the top 18. banks had risen to Y22,000bn from earlier estimates of Y16.000bn because of the introduction of tighter, USstyle accounting standards. The ideas currently being

discussed in the LDP include a proposal to establish a new institution that would clear

other collateral from banks: Giving banks tax breaks if they make bad loan dispos- finally preparing to take Establishing a new judi-

cial structure to settle loan disputes and combat the threat posed by yakuza

to purchase the healthy parts of collapsed banks. The debate has prompted the Japanese government is sweeping measures to resolve the financial prob-

Bank of Tokyo-Mitsubishi Dai-Ichi Kangyo, Sakura, Industrial Bank of Japan

IMF widens Jakarta contacts

The International Monetary Fund has taken the unprecedented step in Jakarta of arranging discreet meetings with a wide range of Indonesian opposition leaders. labour activists and prodemocracy campaigners in an effort to forge new politi-

For the IMF, which has frequently insisted its work managing director, recently peg to the US dollar. The head of economic research tute a significant break with cerned with the political sitestablished procedures and a uation in Indonesia and fundamental shift in its insisted that its work was

STATE OWNERSHIP AUND

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for sale of shares by direct negotiation

The STATE OWNERSHIP FUND, a Romanian public institution based in Bucharest, 6 Stayropoleos Street, sector 3, is offering for sale by direct negotiation according to the Government Urgency Ordinance no.88/1997a 61.496% of the issued share capital of URB RULMENTI SUCEAVA S.A Company, Suceava.

The Company PRESENTATION FILE required for subscription to the offer may be obtained at the State Ownership Fund, BUSINESS CENTRE, OFFERS DIVISION of the International Relations Department, Bucharest, 6 Stavropoleos Street, sector 3 phone 04-01/3110495; 3123130; 3124231 and fax 04-01/3121841, daily between 8.00 and 16.00 hrs., at a price of 2,580 USD for foreign circuits, or ROL equivalent at National Bank exchange rate applicable on the PRESENTATION FILE purchase date for Romanian circuits and legal entities. This sum has to be transferred in advance to the State Ownership Fund accounts; no. 25110000000247360008 in USD at the Romanian Bank for Foreign Trade (BANCOREX) for foreign investors, or no. 25110000000247360008 in USD at the Romanian Bank for Foreign Bank for Romanian Bank for Foreign Bank for Romanian Romanian

In order to participate in the negotiations, bidders are required to present evidence of parting at the Seller's disposal a guarantee of a participation i.e. 6.522.516 thousand ROL or 842.592.69 USD as follows: Romanian citizens or legal entities may pay cash to the State Ownership Fund, to account no. 251.10986996313 at the Romanian Bank for Development - Bucharest Branch (BRD-SMB); foreign citizens or legal entities may pay cash to the State Ownership Fund, to account no. 251.1009000012.42304908 in USD, at the Romanian Bank for Foreign Trade (BANCOREX); alternatively the bidders may instruct the bank where they hold their account to release an unconditional bank guarantee valid for 128 days, after the submitting offer.

Bidders should submit the PURCHASING OFFER and the documents stimulated in the Section "C" of the PRESENTATION FULE, to the State Ownership Fund. Offers Division at the above membered address, in a sealed cavelope, prior to 16° of June 1996, 16.00 ters. local time (from deadline for submission).

Further information about the company's privatization may be offered by S.O.F.'s INTERNET SITE at the address www.sof.ro. The minimal environmental conditions accepted for URB RULMENTI SUCEAVA S.A. are included in the company PRESENTATION FILE.

The move is a clear acknowledgement that Indonesia's intense political upheavals cannot be separated from the course of the

More significantly, it suggests the new government of Jusuf Habibie, who last week replaced former President Suharto, is being viewed as a transitional

Michel Camdessus, IMF

Camdessus and other IMF executives stressed political stability as a prerequisite for further economic assistance. Some critics said the IMF's poor political indement and lack of information led to critic of Mr Suharto. the breakdown of two earlier

precludes political involver rejected suggestions that the Suharto's resignation last prison on Tuesday, and five ment, the meetings constituted by more contracted in the composition figures. the ensuing turbulence.

economic reform pro-

grammes linked to the IMF-

in Jakarta on Tuesday to Last week, however, Mr meet Mr Habibie and economic ministers. But from today he will meet a range of opposition leaders including Amien Rais, leader of one of the country's largest Moslem organisations and a fierce

Megawati Sukarnoputri, daughter of the late Presi-The third reform accord, former political prisoner signed weeks before Mr who was released from Thursday, was suspended in other opposition figures. including Emil Salim, an Hubert Neiss, the Fund's economist and former cabi-Asia-Pacific director, arrived not minister.

Government may take control of **Indonesian bank**

By Sander Thomas and Gwen Robinson in Jakarta

Indonesia's government is expected to take control of the country's largest private Jakarta. bank, owned by relatives and friends of former President Suharto, raising concern that his resignation is also bringing down large business empires.

Economists and business executives said the Indonesian Bank Restructuring Agency (IBRA), set up earher this year to salvage the troubled banking sector, would take control of Bank Central Asia (BCA). The ncy may nationalise part of BCA's equity to compensate for big central bank of the economy. loans to the bank in response to an ongoing rush on its deposits. Officials at BCA and the

igency denied rumours the

had "not yet" been taken. (\$4.80n) in assets by Decemant ber 31, 1997, including just would no longer protect over Rp40,000bn in deposits BCA's assets. or 12 per cent of the total the time. Two of Mr Suhar- to commercial banks in the to's children own 30 per cent week up to May 22, much of BCA, while executives of believed to be to BCA. The per cent. Trading in Indo- capital, which is estimated food, a subsidary of the at just under Rp3,000bn,

"If the Salim Group is damaged, it will reverberate throughout the economy, said Tom Inglis, head of

research for ING Barings in Separately, officials said yesterday tax breaks for well connected companies could be revoked, contracts with Suharto family businesses would be reviewed and a charity fund run by a daughter-in-law of Mr Suharto would be audited.

A drive against associates of the old government could boost the President Habibie's position. But diplomats warn it could also scare foreign investors and ethnic Chinese tycoons, who control much The fate of BCA may give

a foretaste of what may happen to businesses associated with Mr Suharto's family. Rioters destroyed 122 BCA bank had already been taken branches last month. The over. A central bank staff looting sparked a run on the member said the decision bank, which turned into a panic rush when Mr Suharto BCA reported Rp52,638bn resigned as customers

Central bank data show a deposit base in Indonesia at rise of Rp3,715bn in credits Salim Group, Indonesia's central bank said it would largest conglomerate, own 70 lend up to twice the bank's Salim Group, was suspended before putting it under on the Jakarta stock IBRA Outstanding central exchange yesterday after its bank credits to commercial share price dropped sharply banks reached Rp102,550bn on runors that its dominant last week, much of which position in flour-milling will be billed to a badly depleted government budget. NEWS DIGEST

NUCLEAR WEAPONS

India ready for 'no first use' accord with Pakistan



ready to negotiate a "no first which is also threatening nuclear test explosions, and other states. Atal Behari in a speech to parliament that while India's recent tests demonstrated the country to: be a "nuclear weapon state". Delhi would continue to oursue global nuclear disarma-ment in international forums and refrain from exporting nuclear technology. Mean-while, activists

munist Party of India wore mastes of Mr Valpayee and Sushma Swaraj, information minis-ter, at a demonstration near parliament (left) to protest against India's recent nuclear tests.

Mr Vaipavee's remarks disappointed western diplomets. who had hoped that India would make a more formal commitment to signing up to the Comprehensive Test Ban Treaty, a move India has so far refused.

The Indian statement came amid unconfirmed US media reports that Pakistan had completed preparations to conduct its own nuclear test, reports which senior Pakistani officials pointedly failed to deny. Mark Nicholson, New Delhi

JAPAN POWER SECTOR

Companies eye cuts in bills

their electricity bills by up to 30 per cent by buying directly from independent power producers (IPPs) rather than regional electricity monopolies.

A government advisory panel yesterday put forward plans to allow independent power producers - mainly companies in industries such as steel and chemicals - to sell excess electricity they generate directly to large power users. IPPs tend to price electricity at 20 to 30 per cent below standard rates. The panel, advising the Ministry of International Trade and Industry (Mitt), will carry out further studies of how the liberal-lisation should be implemented, but it could take effect as early as the next financial year.

Recent deregulation allowed IPPs to bid to supply excess power to the regional electricity companies, or to use the electricity companies' lines to transmit power to other sites of the same company.

But so far many more IPPs have bld to sell electricity than have been accepted by the power companies, and they are not currently allowed to sell directly to end users. The high cost of electricity in Japan has prompted an increasing number of companies to generate more of their own power. Bethan Hutton, Tokyo

KARACHI STOCK MARKET

Security tight after rioting

The management of the Karachi stock market, Pakistan's main bourse, yesterday doubled the number of private security guards across its trading hall and sought police protection, following riots by traders on the floor on Wednesday. Traders had protested at the proposed introduction of computerised trading, which they say could cost 2,000 jobs. Yesterday, however, the violence appeared to have ended.

The KSE-100 share index closed 6.1 per cent down yesterday. Share prices have fallen consistently in the past two weeks, mainly driven by anxieties over the fallout for the economy if Pakistan conducts its first ever nuclear test responding to the five tests by India earlier this month. Farhan Bokhari, Islamabad

a big four pens magers battle for

.a. Jane

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asider ban

takeovers

creeping

W warning on

review the so-called "creeper" provision which allows shareholders to build up stakes gradually in a sition to abolition by invescompany until they gain

general of the panel, is to recommend that the provimeeting of the panel in July, "I think there is a strong intellectual argument for changing the code, but the panel has to decide," he said

The move follows the controversial bid for Astec. the 2 per cent to 1 per cent : electronic power supply group, by Emerson Electric. The US group started with a large stake in its target and achieved control by buying up to 1 per cent each year.

This is allowed under rule nine of the Takeover Code governing mandatory bids. Companies normally have to launch a bid if they hold more than 29.9 per cent. But there are several circumstances under which they can own up to 49.9 per cent with the consent of other shareholders

Astec's minority sharebolders failed in their unprecedented court challenge against Emerson earlier this month.

Although Emerson is outside the panel's jurisdiction as a Hong Kong-based company, several investors felt the case highlighted an un-

One institutional investor

Emerson." Mr Defriez says. that his decision to put the issue to the panel comes in response to the concerns of these investors.

There could be some oppotors who believe the creeper ontrol.

Alistair Defriez, director flexibility. When the issue was last reviewed by the panel six years ago, invession is abolished at the next tors argued that there are some instances - for example in investment trusts where large shareholders may want to buy at a discount without taking control. This review resulted in a reduction in the limit from

> If the 18-strong panel agrees to abolition in July, change could come relatively promptly. Any action could head off the threat of intervention by the government as part of its wide-ranging

> The panel is set to publish a revised code shortly. It decided to modernise its rules following criticism that it was not doing enough to ensure fair play. Among the changes will be a ban on advisers to companies facing hostile bids buying the target company's shares. Predators making paper bids are also to be prevented from buying up to 10 per cent of their target's shares for

Mr Defriez said the planned publication was "at an advanced stage". It had taken longer than expected for administrative reasons.

said yesterday: "We are try- Lex, Page 20

Watchdog to Adams tour aims to forge Wall Street ties

By Victoria Griffith in Boston and Richard Wolfe

Gerry Adams, the Simp Fein president, arrived in New republican movement's big-gest fundraising tour since the start of the peace process four years ago. Sinn Fein is the political wing of the Irish Republican Army.

Republican Army.
Armed with legitimacy afforded by the April peace agreement, and displaying ing hero, Mr Adams appeared determined to forge fresh ties with Wall Street and US busine This morning be will tour

the New York Stock Exchange, and this evening he will host a \$1,000-a-head black-tie dinner at the World Trade Centre. It will be the first time Sinn Fein has ever tried to raise money in New York's financial district. Money from the event will go to the campaigns for Sinn Féin's candidates in the June elections for the new

Northern Ireland assembly. Mr Adams also bopes to cement his new-found status in the American mainstream as a legitimate political leader. Friends of Sinn Féin, the party's US arm, said that required in other countries. Mr Adams will meet President Bill Clinton tomorrow, between the two countries is

although the White House refused to confirm the appointment, saying only that it was a possibility.

The trip comes against a background of increasing goodwill towards Northern Ireland in the US. On June 7, William Daley, the US Commerce Secretary, will lead a trip to Northern Ireland and the border counties of the Irish Republic to explore investment opportunities. The US Commerce Depart-

ment said response to the trip had been overwhelming. Already, General Electric, Monsanto, Motorola, Fruit of the Loom, Pfizer and Pitney-Bowes have signed up for the excursion, which the US is billing as an important step towards lasting peace. "Peace and economic stability go hand in hand," Mr Daley said.

US interest in pharmaceutical and biotechnology investments is expected to be particularly strong. The impact of a Congressional amendment that exempted Ireland from paying tax at the US rate may now be felt in full. US companies in ireland have to pay taxes on just 10 per cent of profits, instead of the 33 per cent

Priests 'may help decommissioning¹

Priests or lawyers could provide an acceptable conduit for the Irish Republican Army to "decommission" its weapons. yesterday, John Murray Brow writes. The former Canadian terrorist bombings in Northern Ireland's main city of Belfasth was appointed to oversee the

represents a new offer from his independent commission, which has made little progress. cen be anyone designated by

a natural progression from the peace accord," said Larry Downes, president of Friends of Sinn Fein.

By reaching out to non-Irish-Americans as well as its traditional Irish-"Closer economic ties American base, Sinn Féin expects to raise more than

armed forces chief (right, at the paramilitary arsenats. The notion that decommissioning could be conducted without direct

the paramilitaries as an Intermediary, but we must hav

Adams is in the US. The organisation has gath-

ered \$2.5m since 1995. although donations slowed to a trickle after the IRA ended its first ceasefire in 1996 and Mr Adams was barred from entry to the US. resistance to the new peace

are opening wider as the quest for peace accelerates," said Ray O'Hanlon, editor of the New York-based Irish Echo newspaper

In spite of the optimism there are strong pockets of small rival group which opposed the Irish peace end in New York to discuss

new strategies.
They formed a national Irish Freedom Committee which will channel money to the families of political prisoners not protected by the

peace agreement.
"We plan to buy a van to shuttle the families back and forth from prison," said John McDonagh, one of the organ isers. "We won't be funneling money to military activi-

Republican SF activists are handing out leaflets at Mr Adams' appearances, asking Americans not to give money to mainstream Sinn

The group also plans to organise its own fundraisers, using teleconferencing to access speakers, many of whom are currently denied visas to the US.

The trouble is that Americans are only hearing the leaders against the accord are not allowed into the country," said Joe Dylan, a Boston-based activist.

But even opponents of the

Brussels backs resumption of region's beef exports

By Michael Smith in Brussels

Northern Ireland can start exporting beef from next Monday for the first time for more than two years, the European Commission decided yesterday.

The decision is the biggest breakthrough the UK has achieved in its battle to overturn the beef export ban imposed by the European Union in 1996 when scientists found a potential link between BSE or "mad cow

disease" and nvCJD, a simi-lar illness affecting human of the UK's beef herd.

1996, which applies to most ease. The commission said but others are expected to Netherlands, Italy, Spain follow. The decision lays and South Africa.

Although Northern Ireland exports will begin slowly, hopes are rising that the EU will later this year approve a scheme that would allow autumn is possible. North-export sales of beef from the ern Ireland has been cleared UK mainland.

The commission said ves terday that it expected to which Brussels says probring forward a draft proposal in the next few weeks to allow exports of beef from ern Ireland beef herds have ucts. So far only two meat £220m (\$367.4m) from counanimals born after August never had a case of the dis-

Although it is unlikely that EU nations will back the UK-wide scheme immediately, commission officials believe approval in the earlier because it has a comnuterised monitoring system vides sufficient safeguards.

Some 97 per cent of North-

be restricted to products derived from animals which were born, raised and had remained in certified herds

during their entire life. In addition, the entire production chain from slaughtering, cutting and storing to final dispatch should take place in Northern Ireland in establishments reserved for the handling of eligible prod-

down a series of stipulations designed to ensure strict official controls, labelling and certification and the traceproducts back to the herd of

In the year before the ban, Northern Ireland produced 70,000 tonnes of beef. More than half of this was exported, earning the region

Winning back the markets may prove difficult. Other exporters have filled the gaps and the high value of the pound is an obstacle.

The commission said satisfactory progress had been BSE. At the peak of the epidemic, in 1992, 37,820 cases were confirmed but by last year this had fallen to 3.396. More than 3m cattle have plants have been approved, tries including France, been destroyed.

The 'big four' pension fund managers battle for balance

focused attention on significant changes in the sector, Jane **Martinson** reports

tor mo first

fter a bad year for the four largest pension fund managers in the UK, the past few weeks have focused attention on changes in the industry and their place in it.

The UK's big four - Mercury Asset Management, Schroders, PDFM and Gartmore - have increased their market share significantly since 1990, largely by winning balanced fund mandates. This method, the most common way of managing pension fund assets in the UK, gives one fund manager discretion to invest across a range of asset classes.

Even the largest funds of several billion pounds typically employ only a few managers. This has fed increased concentration in an industry where the "IBM syndrome" means the biggest has appeared to be the best and safest bet.

But several events this year suggest that the industry is going through sporadic but fundamental change. The most recent was the decision by Unilever, the consumer group, to dismiss MAM, the UK's largest pension fund manager, from a fibn (\$1.67bn) portfolio because of poor perfor-

The group awarded a third of its total £4bn fund to Barclays Global Investors, an index-tracking specialist. It was the first time Unilever

Recent events have sive manager since outsourcing its pension fund management 11 years ago. Unilever's decision followed that of Zeneca, the

pharmaceuticals group, to reorganise its £2bn fund. The group reduced the amount managed by MAM, PDFM and Schroders in balanced mandates. It awarded some but, significantly, also wants to appoint more specialist managers to run different

Roger Urwin, head of were unlikely to be as good in investment at Watson the remaining quarters of this Wyatt, which advises most year. They have so far been of the UK's largest pension funds, believes the "Zeneca experiment" could be important for the industry. He has been influential in changing the mood of the sector after publicising the consultancy's support for a mix of index tracking, balanced and specialist management. Watson had been closely associated with support for balanced

Poor performance has highlighted the power of large managers. Ray Martin, head of pensions at Zeneca. said the reorganisation was partly prompted by a realisation that overall perfor-mance had been saved by his team's own decisions on

asset allocation. The two companies which have suffered the worst and longest performance problems - PDFM and Gartmore - have been hit by a decision to hold a large proportion of assets in cash. As asset allocation is a key component of balanced management, this failure has called the system into question. However, while perfor-

Returns highest for five years

UK pension funds made their highest average return for more than five years - 11 per cent in the first quarter of this year, Jonathan Guthrie writes. This compared with a loss of just money to a passive manager over 1 per cent in the last quarter of 1997, according to

> WM, the performance measurement company. WM warned yesterday that returns were unlikely to be as good in below 2 per cent in the current

most headline-grabbing reason for recent change, government action has been the most fundamental cause. The Pensions Act, only a year old, has made pension funds reassess the way their assets are managed.

The minimum funding requirement, a central feature of the Act, insists that funds exactly match their assets with their liabilities, or the money needed to pay future pensioners.

As the liabilities are based on the movement of key indices, the change has served to increase the attraction of index funds for

Nobody is suggesting that balanced management will not continue to play a large part. Supporters of the UK system point to the experience of the US, where a dependence on specialisation because of lack of effectiveness and the burden of extra mance has provided the administration.

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New warning on inflation

Christopher Brown-Humas

Inflation in the UK will continue to rise unless wage pressures and domestic consumption are kept under control, Mervyn King, chief economist at the Bank of

bank, said yesterday. Mr King told a business cally generated inflation was ated inflation declines," he

official figures suggested.

Mr King, who is about to Mr King, who is about to remained strong, in spite of become a deputy governor at a weakening economy.

the Bank, is a member of its monetary policy committee, which is required by the goveroment to set interest rates to keep annual retail price England, the UK central inflation at 2.5 per cent, excluding mortgage costs.

"As the one-off effects of

conference that the short-term outlook for inflation was "extraordinarily year or so - as indeed they benign" thanks to a combination of the strong pound ates further - inflation will and leave the strong pound ates further - inflation will and lower commodity prices. start to rise above the target But he warned that domesti-

significantly higher than said. There was "a risk" that domestic consumption Mr King is regarded as one

of the more hawkish mem bers of the MPC, regularly in a minority voting for tighter monetary policy. But Mr King said using labels like "hawks" or "doves" was seriously misleading: "Over a five-year period, since each member of the MPC is trying to hit the same inflation target, I predict that it will be impossible to distinguish between doves and hawks."

A corporate seer extolling the merits of globalisation

Tony Walker on the former chief executive who found there is life after running a big corporation

Henry Schacht's business card describes his new role at Lucent Technologies, the high-flying manufacturer of telecommunications equipment, as "senior adviser". Yet the title hardly does justice to his emergence as something of

a corporate sage.

Mr Schacht recently stepped down as chief executive and chairman of Lucent, but at 63 he has no intention of heading for the country club. Rather, he plans to devote his efforts to new projects for Lucent directorships with top American companies and to charitable causes.

He is also much in demand for his views on corporate responsibility, on the role of US companies abroad and on appropriate behaviour for chief executive officers who are reaching the end of their tenure. Having stepped down twice as chief executive from Cummins Engine in 1994 and Lucent in 1997 - Mr Schacht can claim special get cold feet as

Too many people get cold feet retirement day as retirement day approaches and stay a bit too long," he says. approaches and stay They neglect to devote sufficient effort to managing the process of a bit too long' extrication."

In the case of both Cummins and Lucent, Mr Schacht handed the rains to chief operating officers, or understudies, with whom company, following, one sushe had worked closely. This preoccupation with orderly transi-tion, a clearing of the decks, per-ties in Russia and India. Lucent haps owes something to his early is already involved in China experience in the US Navy where where it has some half dozen he served as an adviser in Vietnam in the 1950s.

as Lucent, which has grown strongly since it was spun-off in 1996 by AT&T. Lucent, which is currently riding the internet wave, has seen its share price more than double in the past

If the company's spectacular performance tempted Mr Schacht to keep a grasp on the reins, he quickly put the idea aside, he explains, because by the end of the second year he had achieved his objectives: he had launched the company and put in place the strategy and personnel to enable it to expand its operations.

But as a director of Lucent and senior adviser for new projects, he remains closely in touch. On the day of our interview, conoffices with their panoramic views towards New Jersey where the company's manufacturing facilities are located. Mr Schacht was monitoring the effect on the share price of the acquisition of a smaller telecommunications equipment manufacturer.

Too many people

He is also responsible for helping to form a venture capital pects, the General Electric model, ventures under way.

Mr Schacht, who as chief exec-



eral China ventures, is a great believer in globalisation.

"You are not going to be able to live in a world where the standard of living in one part is so different from the standard of living in another part, especially now that people are so aware of what everybody is able to do," he

"The real issue is: can we use this great mass of talent that we've put together to lift the standard of those less well-off without destroying our own standard of living?"

Mr Schacht, in this respect, might be regarded as the antithesis in US corporate culture of Al Dunlap, the chairman of Sunbeam, the domestic appliances company, whose "slash and burn" management methods have brought him notoriety. Mr Schacht and Mr Dunisp often find themselves on opposing sides in discussion about corporate responsibility.

his position at Lucent holds directorships of Chase Manhat-But he also believes that there utive for more than 20 years at tan, Johnson & Johnson, Alcoa is life after running a big corpo- Cummins pushed the manufac- and Cummins, also has firm about anything."

ducted in Lucent's New York turer of diesel engines into sev- views about the role of directors and their relations with the companies on whose boards they

> In his years as a chief executive he looked for directors who had the requisite experience and wisdom and also the "time and energy" to devote to the task. But experience also dictated that he find people who were relatively busy, rather than those with time on their hands.

> "It's the age-old adage," he says. "Ask a busy person if you want to get something done." In his "second retirement" Mr Schacht could not be said to be spending his time idly. In addition to his corporate responsibilities, he is chairman of the board of trustees of the Ford Foundation, a prominent member of The Business Council, a member of the Council on Foreign Relations and a trustee of the Metropolitan Museum, among other positions.

As to the possibility of him Mr Schacht, who in addition to accepting another chief executive position, he says: "It is unlikely the opportunity will arise again, but I would never say never Research into stress **Gulf war syndrome** Clive Cookson.

Research into the long-term effects of acute stress may shed light on Gulf war syndrome which has symptoms ranging from depression

may shed light on

to joint pain. Some believe the syndrome is stress related while others argue it s caused by exposure to toxic chemicals, including acetylcholinesterase (AChE)

inhibitors used to protect Gulf war oldiers against nerve gas. But both views may have more in common then is supposed, according to a report in Nature, the

international science journal. Researchers at the Habrew University of Jerusalem have discovered that stress and AChE inhibitors affect the same blochemical pathway, leading to the same, potentially damaging, long-term neurological changes. This raises the possibility that the combined effect of AChE inhibitors and stress may be particularly damaging. The research also provides an insight into why attempts to use AChE inhibitors to been disappointing. Hebrew University of Jerusalem: Israel, tel 97226585109; fax

Environmentally friendly fungicides

Agricultural College may lead to an environmentally friendly alternative to fungicides. The work centres on "film-forming polymers" which form a barrier on the surface of the leaf.

They are used in agriculture and horticulture to reduce water loss from plants and improve the effectiveness of agrochemicals. These polymers were thought to be biologically inactive. However, SAC scientists found that certain of the polymers were effective against SAC: UK, tel 131 5354185; fax 131

Myriad ways to chemical synthesis High-throughput screening (HTS)

drug discovery process. But has done wonders for the speeding up the later stages of productivity of pharmaceutical pharmaceutical development, in

research. The latest HTS systems can test 100,000 chemical compounds a day for signs of . biological activity against a chosen target such as an enzyme, writes

TECHNOLOGY WORTH WATCHING

But their voracious appetite for. drug candidates to test is exhausting "chemical libraries" and putting pressure on chemists to thesise new compounds.

An average chemist, working manually, can create 30-100 compounds a year. So drug companies are investing in automated synthesis systems that can increase chemists' productivity more than 1,000-fold, by using robotics to mix, react, purify and analyse compounds.

The first model of the latest system, called Myrlad, has been installed at the European research headquarters of Smithkline Beecham in Harlow, UK. Myriad was developed by The Technology Partnership, a research company near Cambridge, England, for and Chiroscience of the UK, Merck and Pfizer of the US, Novartis of Switzerland, BASF of Germany and Takeda of Japan.

Automated synthesis has concentrated on combinatorial chemistry, a technique in which a range of similar chemical building blocks are made to react in all possible combinations.

Combinatoriai chemistry can produce libraries of new compounds but is restricted in the



Testing, testing: Richard Gray of TTP (left) and Brian Warrington of SB

types of chemical reaction and building block that it can handle. Myriad is more powerful and versatile than combinatorial chemistry, says Richard Gray who headed the Technology Partnership's development team. Automating chemical synthesis will remove one bottleneck in the

and the constraint of the second second

titanium, in a thaw indicator for food packaging. The indicator changes colour when its temperature rises above 0°C, the point where bacteria multiplies When the temperature rises and the wire changes shape, its movement tears a piece of

coloured paper to reveal a different colour below. Even if the temperature cools again, the warning colour remains visible. The sensor warns retailers and consumers about food damaged in transit and frozen food that has been thawed and refrozen. Sandia National Laboratories: US, tel 5058457078; e-mail

nsinger@sandia.gov

which drug candidates are tested

on patients, will be a more difficult

The Technology Partnership, UK:

Wired up to beat

A thin metal wire that changes

shape at different temperatures is

Researchers at Sandia National

Laboratories in Albuquerque have

used the wire, made of nickel and

set to become a weapon in the

fight against food poisoning.

food poisoning

1763 262625

Walking crane to help at coal mines

A team of Australian scientists are developing a computerised walking crane, or "dragline", that is expected to be the largest industrial robot in the world. The 75m tall robot is designed to

carry 150 tonnes of blasted rock from open-cut coal mines and deliver it to the spoil pile. It is designed to automate the

most repetitive parts of the operation and is expected to reduce the strain on the operator and the equipment. Researchers hope that the robot will increase the productivity of the dragline by about 4 per cent, which would save the typical Australian coal mine A\$3m (US\$1.9) a year.

The robot is being developed by the Co-operative Research Centre for Mining Technology and Equipment and CSIRO Manufacturing Science and Technology. CSIRO: Australia, tel 0732124501;

Vanessa Houlder

mr@brb.dmt.csiro.su

e comecu



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compones in a global lashon,

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real

Irthday bash

MINION.

Citte Miss

A real heiress in fancy dress

Martin Hoyle finds Henry James is given the full monty treatment in a less than satisfying new interpretation

Things may not fall apart in this week's releases but they certainly do not quite gel: plenty of promise, lack of fulfilment. Washington Square, for instance, is taken from the Henry James novella, well-cast with both young lions and established stars, and meticulous in period evocation. But the result is a fancy-dress parade, literate, intelligent

Secret Garden, Total Eclipse) adds literary authenticity. She ignores The Hetress, the postwar stage and film adaptation of the same story. The tale depicts town mouse Catherine, plain and socially graceless, despised by her father, who turns the tables on the fortune-hunter who

The Heiress had two cracking theatrical moments: when Catherine realises her intended eloper has abandoned her, and the final curtain when, an older (and richer: woman, she rejects the returned suitor with cold satisfaction. The new film ends with Catherine running a day school for picturesque moppets and sending away her old suitor with a Bea in

The film begins with the camera giddyingly whirling around a household in turmoil as Catherine's beautiful piano con amore and con moppets. In between, it sac-

taught by masters," is her cold reply: every actress worth her salt brings a audience's collective neck with that proud and bitter full Jamesian Monty in dialogue which carries far less

impact. Jennifer Jason Leigh's Catherine improves with self-knowledge, steeling both and uninvolving.

To period feeling, director pose. Initially her tics, Agnieszka Holland (The twitches and stumbles suggest the mentally retarded rather than the painfully insecure. She looks right, those demure corkscrew curls offsetting a firm Victorian jawline. Ben Chaplin's coarse-featured sensuality is echt pre-millennium, his fall from grace expressed by five o'clock shadow (rather than the book's ageing process);

Maggie Smith is the meddlesome auni, a scrawny old fowl fluttering her single chick into the jaws of the fox. Albert Finney (the original was Richardson) as Catherine's contemptuous father dithers between brutality and rueful tenderness. He looks like Donald Wolfit and sounds occasionally like W.C. Fields. Not a successful

mother dies in childbirth. It can coax brilliant perforends with Catherine at the mances from actresses: which makes Aftergious all the more puzzling. Briefly, it rifices some pretty chilling has the makings of a Feystage dialogue in favour of deau farce or, in the black-James's original. Heiress-fan-ness which underlies the ciers remember her againg characters cross-purposes, a father's reproach to the now dark Ayckbourn exploration



Frigidly self-absorbed, young high-flier Jeffrey is married to broody child-cray-Marianne. Burly "Lucky" Mann is an odd-job Mr Fixit who satisfies his female clients with more than his spanner and plunger (the film indulges in the visual equivalent of many such single entendres). His unhappy ex-actress wife Phyllis pines for their vanished runaway daughter. Outraged spouses on the trail of their partners' latest infidelity are attracted to

one another, neither realis-

ing the other's identity. This gentle probing of pain, of fear of rejection and therefore commitment, goes off the rails with a final farcical brawl between the two Alan Rudolph, a product of husbands. Lara Flynn Boyle the Robert Altman stable, as yuppie wife is lost between kookie humour ("Til take it; I'm ovulating," is how she decides to buy a flimsy garment for deshabille) and lonely pathos. Julie Christie is Phyllis: ageless, beautiful, mellow, but acting in a world of her own. Carry out the acid test: shut

functory, off-hand, mechanical. That casual, 1960s laidback persona will not be

Nick Nolte's Lucky, craggy, open sensualist, is

Washington Square Agmieszka Holland

AFTERGLOW Alan Rudolph

DARK CITY Alex Proyes

the general John Boorman

THE JAMES GANG Mike Barker

spot-on. Jonny Les Miller from Trainspotting is surely the next British superstar. In an accent not just North American but perfect Canadian, he expresses the pain of self-aware emotional aridity, eyes peering out of the icy carapace like an appeal

If Rudolph, for all his visual stylishness, wastes the Montreal setting with its blend of sleek Americanness and old-world Europe, writer-director Alex Proyas goes to town with his perpetual urban nocturne, a vast series of studio sets evoking a city of dreadful night, in Dark City. Comic strip fantasy is garnished with references to Metropolis and Nosferatu in this story of an alien race dwelling beneath the city that plays with people's memories and identities, even changing the landscape every 24 hours.

Best viewed as superior hokum, the movie is a rattling good yarn that casts its own disturbing spell as Rufus Sewell's amnesiac charge belts down those mean streets after the truth. the lines come over as per- less will - play lago and bitt. The effects are sumptu- Brendan Gleason in the title- unworthy.

ous the whole thing has the role, even to Jon Voight, the enjoyableness of a nightmare from which you have gratefully awoken.

The General won John Boorman the Director's Prize at Cannes. In brilliant black and white, it recounts the career of Martin Cabili, a Dublin criminal whose politically wished plague on both their houses (or rather, a strict adherence to free market principles) led to his murder by the IRA in 1994. For all Boorman's story-telling brilliance, there is something oddly flat in a film whose hero is devoid of selfdoubts or questioning, who

never changes or develops. After nailing a gang-member to a pool table for alleged disloyalty, he concedes that the victim may be straight after all. They all bond like mad after this. There is no fugitive from a murder real feeling that armed holdups used real weapons; that breaking into a woman wit-William Hurt's sympathetic ness's bedroom at dead of cop has a disturbing look of night to put the fear of death the young Norman Tebbitt. into her is actually a death Ian Richardson's chief alien threat. There is a moral an even more disturbing blankness here that leaves seriously. The tacked-on

imported star name, bringing a brooding presence and good Irish accent to an underwritten role.

The same ambivalence undermines The James Gang. This first feature from Mike Barker (ex-BBC TV) makes one look forward to the next, with a better script. Scots mum Bernardette (the excellent Helen McCrory) and her brood of infants take to crime like a junior-league Bonnie and Clyde plus a dash of Thelma and Louise.

Their intended lovableness is underlined by another grudgingly admiringly cop. the third this week, played by Toni Collette (Muriel's Wedding), looking and sounding out of place. The debt-collector's arson that drives the family from their flaming home is the sort that kills in real life.

And a film that wants us to take these waifs and bairns seriously should itself take their cheery induction into armed theft more your eyes as you listen, and for help. He could - doubt- look of the old Norman Teb- one finally indifferent, to happy ending is grotesquely

but was Prince enough - of

Venosa, a small place - to

get away with it.) Carlo struck me as sober, honest

music-spinning for essen-

tially theatrical ends; musi-

cally it was nothing special.

Through the Heart had its

everywhere. Three leading

mezzos here have already

taken on its dramatic solo

role, a woman whose hus-

band has driven her to mur-

der. Stenz had a fourth,

Sarah Connolly, fresh from

Handel's Xerres at the ENO.

It was bracing to hear her so

Since Turnage's Twice

Without the fire

THEATRE

IAN SHUTTLEWORTH Two plays by Federico Garcia

Battersea Arts Centro, Lungia

Now that Battersea Arts Centre's future is financially Tom Morris has programmed its three spaces thematically. While Studio One hosts seasons curated by the Red Room theatre, and Studio Two (most controversially) Playing In The Dark strand. husiness continues as usual in the centre's main house, means Absolute Theatre's competent but unexceptional productions of two plays by orca narrating the love of older men for younger, inconstant women

The Shoemaker's Wonderful Wife (La zapatera prodigiosa), given what is apparently its British professional premiere, takes up the bulk of the evening (sadly and disconcertingly protracted on the press night by an interruption when a member of the audience fell seriously III). With Jessica Worrall's trompe-l'oeil set and colourcoded characters, and Andrew Pratt directing the phalanx of outraged neighbours in a kind of clockwork flamenco, the visual and theatrical tone is suitably Lorcista: related to smalltown Spanish life, but artificially heightened and a little

Simon Wright and Sarah Jane Field wrangle and reconcile as the shoemaker and his teenage wife, as he flees her irksomeness and she subsequently discovers an undreamt-of depth of fidelity to his memory. Songs and chants punctuate the action, giving greater vent to the ever-present poetry even of Lorca's dramatic writing; accompaniment is supplied by a brace of musicians on guitars, pipe and - most wondrously - a cymbai played with a bow to produce a noise like ahards of a satellite falling to earth.

A prologue spoken from beneath "the author's hat" (we know this because it says so on the chapeau in question) is heard without any of the laughs perhaps intended; a puppet-play towards the end effectively dramatises the couple's estrangement for them to

This is followed by the play rendered here as How Belisa and in his garden tried to please her, which also inhabits the familiar territory of domestic tension. betraval and ultimate sacrifice. Wright and Field return Aldeburgh premiers two-years ago, it is swiftly going as the second mismatched couple, and Pratt directs even more mechanistically: actors move, to the sound of the bowed cymbal, from tableau to tableau to deliver their lines, never admitting

> John Edmunds' translations occasionally fall limp -Belisa's response to Perlimplin's death is, "I had no idea he was such a complicated man". The productions are perfectly serviceable, but ultimately fail to glow with the green fire of the dramatist's poetical visions.

MUSIC GYORGY LIGETI/MARKUS STENZ FAREWELL

Birthday bash finds wild expression

The South Bank series like Bartok); but now it original flute-and-oboe Dou- tra rarely sinks below mezco-"Clocks and Clouds", a devoted survey of György dium of all the early-1950s Ligeti's music, has bright- avant-garde hoops that a ened many an evening since scrap of Bartokian material it began two Decembers ago. Last week it wound up with two Philharmonia concerts under Esa-Pekka Salonen and a recital by the Arditti Quartet, just in time for Ligeti's 75th birthday today.

The Arditti were superb, as expected, in Ligeti's two quartets - though the earlier one (composed while he was still in Hungary, where none of his serious music got performances) has not worn well. Yes, it still sounds like Ligeti (and almost as much did as much for the wildly

seems a sedulous compencould be put through.

The radically ingenious Second Quartet (1968) is proper, mature Ligetl, expressive without recourse to any "expressive" routine. in his crackling piano con-certo of 20 years later, Roland Pontinen was brightfingered and tireless, Salonen sharp and precise: an ideal performance of this

The next night, Emmanuel

wonderful effect, and was cheered to the roof.

the rehearsal-time – or else Salonen doesn't know Debussy very well yet; or possibly both. He was loud and efficient, with an almost parade-ground beat in La Mer. Sometimes even the main tunes were submerged beneath the raucous surface. Pahud and Heinz Holliger and it is hard to do much

bass oration to startling and noise he whipped up at the end) - and yet he left any number of semi-precious Ligeti probably got most of stones in the score unturned, under-lit. unnoticed.

Same with Ravel's shim-Shéhérazade songs: Monica Groop's lovely, liquid mezzo droops. Can be possibly with nuances if the orches- enchanting songs were we

ble Concerto from 1872. forte. The previous night, delicate, unyielding line that From Ligeti's opera Le some of his under-tempo runs through each. Stravin-Grand Macabre, Sibylle Déria had been a little sky, however, is meat and Ehlert repeated the Police softer, but it dropped with drink to Salonen, and he Chief's mad coloratura-to-languid rubati (for all the made a lusty meal of made a lusty meal of

> The night before the Ligeti began, Markus Stenz conducted his official farewell concert with the London Sinmering orchestra for his fonietta. His four-year tenure as principal conductor has been consistently rewarding. had to be paced carefully. But we shan't miss him through all Salonen's gravely, despite his new post at the Melbourne Symphony,

performance of Oliver Knussen's Songs Without Voices preceded three works with voices, by Mark-Anthony Turnage, Wolfgang Rihm and the Euro-Australian Brett Dean. Rihm is an abrasive known quantity, like him or leave him, and Rosemary Hardy sang his Abschiedssnicke with great her triumphant "hero" in

Dean's new Carlo, for strings, electronic sampler and a taped chorus, is a dramatic fantasy on the 16thcentury composer Gesualthink that to be "period he is expected to return do's dismaying life. style"? In not one of those often. (Between madrigals he mur-The programme was his dered his wife and her lover, David Murray

true and easy in Turnage's more jagged vocal lines, so

heartfelt and artfully plain. Stenz is good at that, too.

INTERNATIONAL

Arts Guide

AMSTERDAM

Netherlands Opera, Het Tel: 31-20-551 8911 Siegfried, by Wagner, New production conducted by Hartmut Haenchen in a staging by Pierre

BALTIMORE EXHIBITION

Walters Art Gallery Tel: 1-410-547 9000 Monet: Paintings of Giverny from the Musee Marmottan. 22 paintings of the artist's garden, shown elongside photomurals and works from the Walters' collection; to

BARCELONA EXHIBITION

Tel: 34-3-319 6310 Egon Schiele: The Leopold Collection, 152 paintings and drawings from the period 1905-1918, on loan from the world's largest private collection of Schiele's work; to May 31

BERLIN CONCERTS Konzerthaus Tet: 49-30-203090

Rundfunk-Sinfonieorchester Berlin: conducted by Alan Gilbert in works by Karmon, Mozart and Copland, with clarinet soloist Sharon Karn;

Philharmonie Tel: 49-30-2548 8354 Bertin Philiharmonic Orchestra: conducted by Bernard Haltink in works by Schubert and Shostakovich. With soloist Matthia

CHICAGO CONCERTS

Goeme: May 29, 30, 31

Orchestra Hal Tel: 1-312-294-3000 www.chicagosymphony.org Chicago Symphony Orchestra: conducted by Daniel Barenbolm in a concert performance of Fidelio. With the Chicago Symphony Chorus; May 28, 31 Chicago Symphony Orchestra: conducted by Daniel Barenbolm in

Beethoven's Symphonies Nos. 6 and 7; May 29, 30

EXHIBITION Museum of Contemporary Art Tel: 1-312-280 2680 Cindy Sharman; retrospective tracing the New York-based artist's development from the 1970s to the present. Consisting of 156 works, this show presents selections from each of her major series, including Untitled Film Stills (1977-80),

Centrefolds (1981) and Fairy Tales (1985); to May 31, then touring

FLORENCE OPERA

Maggio Musicale Florentino Tel: 39-55-211158

 Le Comte Ory: by Rossini. New production conducted by Roberto Abbado in a staging by Lorenzo Mariani; ETI-Teatro della Pergola; May 28, 30 ·

Wozzecic by Berg. New production by William Friedkin, conducted by Zubin Mehta; Teatro Comunale; May 29; Jun 1, 3

GLASGOW

OPERA Scottish Opera, Theatre Royal Tel: 44-141-332 9000 The Queen of Spades: by Tchalkovsky, Conducted by Richard Armstrong in a staging by Yannis Kokkos; May 28; Jun 3

GLYNDEBOURNE

OPERA Tel: 44-1273-815 000 Cosi Fan Tutte: by Mozart. Nev conducted by Andrew Davis. Cast includes Alen Opie and Barbara Frittoli. With the London Philharmonic Orchestra; May 30;

 Katya Kabanova: by Janáček. Revival of Nikolaus Lehnhoff's production, conducted by Yakov Kreizberg, with designs by Tobias Hohelcel Cost includes Amanda Roocroft, With the London

Philharmonic Orchestra: May 29.

HELSINKI OPERA

Finnian National Opera Tel: 358-9-4030 2211 Siegfried: by Wagner. Conductor Leff Segerstam, director Götz Friedrich and designer Gottfried Pilz continue their collaboration on the Ring with this new production. The title role is sung by Stig Andersen; May 29:

● The Magic Flute: by Mozart. New production by Swedish director Etienne Glaser, designed

LONDON

CONCERTS Barbican Hall Tel: 44-171-538 8891 London Symphony Orchestra André Previo conducts a programme of works by Copland, vin and Schumann; May 31

Royal Festival Hall Tel: 44-171-960 4242 Vienna Philharmonic Orchestra: conducted by Riccardo Muti In works by Brahms and Stravinsky:

ECHIBITION National Gallery Tel: 44-171-839 3321 Henry Moore and the National Gallery: this celebration of the centenery of Moore's birth consists In a selection of his favourities among the Gallery's holdings; to

May 31

MUNICH CONCERTS Philharmonie Gasteid Tel: 49-89-5481 8181 conducted by Roger Norrington in

works by Haydn and Mozart. With violin soloist Thomas Zehetmair and viola soloist Ruth Killius;

NEW YORK CONCERTS Lincoln Center

Tel: 1-212-721 6500 www.lincolncenter.org ... New York Philharmonic: world premiere of Del Tredici's The Spider and the Fly, for Vocalis and Orchestra, conducted by Kurt Masur. The programme is completed by works by Copland. May 28, 30

EXHIBITIONS Guggerhalm Museum Tel: 1-212-423 3500 www.guggenheim.org China – 5,000 Years: major exhibition of traditional Chinase-art. Highlights include Neolithic jades. Shang and Zhou bronzes, tomb ceramics, and a collection of . Buddhist stone sculptures; to Jun 3, then transferring to Bilbao

Metropolitan Museum of Art Tel: 1-212-879 5500 www.metmuseum.org Paul Strand, Circa 1916: comprising 50 rare prints tracing the photographer's transition from a soft-focus style to a bold, American modernism; to May 31

PARIS CONCERTS Salle Pleyel

Tel: 33-1-4561 6589 Orchestre de Paris: conducted by Sylvain Cambreling in works by Boulez and Messiaen, With soprano Françoise Pollet; Jun 3

Théâtre des Champs Elysées Tel: 33-1-49525050 Orchestre National de France: conducted by Yuri Temirkanov in works by Rimski-Korsakov. Rachmaninov and Elgar. With piano sololst Yefim Bronfman;

EXHIBITION Musée d'Orsay Tel: 33-1-4049 4814 www.Musee-Orsay.fr Exhibition examining the relationship of artists to the revolutionary movement of 1848, and the influence of the Republic upon artistic life between 1848 and 1952; to May 31

PRAGUE CONCERTS Dvorak Hall Midori: recital by the violinist of works by Beethoven, Brahms, Szymanowski and Saint-Seens. With piantst Robert McDonald;

Kathleen Battle: recital by the soprano of works by Handel, Wolf,

Faure, Rossini and Turina. Accompanied by planist Roger Vignoles: May 28

TOKYO CONCERTS

Suntory Hall Tel: 81-3-3584 9999 Tokyo City Philharmonic: conducted by Taijiro limorl in works by Schumann and Bruckner

 Tokyo Metropolitan Symphony Orchestra: conducted by Naohira Totsuka in works by Beethoven. With piano soloist Hiroko Nakamura; May 30

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Business/Market Reports:

At 08:20 Tanva Beckett of FTTV reports live from LIFFE as the



SAMUEL BRITTAN **ECONOMIC VIEWPOINT**

Hot air expelled

Much of what passes for wisdom in public utterances about subjects like globalisation is verbiage - or worse

It must have occurred to many readers that much of what is said about the threat to jobs from globalisation is really hot air. After all, much of it emanates from the US - a country that has been more successful in maintaining high employment levels than most others.

The well-known American economist, Paul Krugman believes that it is not merely hot air but downright wrong. My own favourite term for such utterances is lumpeneconomics - a third rate substitute for the genuine article, preached by politicians and diplomats and business statesmen.

Many economists try to interpret the statements of such people in a charitable way, looking for nuggets of sense in what they say. Paul Krugman however has steadfastly refused to do this. In a new book of short reprinted articles* be demolishes many of the vulgar fallacies that pass for wisdom in speeches and weighty tomes.

He starts off in fine style

against the "lump of labour fallacy" - the view that there is only a certain number of jobs. It is impossible to go to any the UK government's welfare-to-work programme without someone seeking to box down the discussion with the age-old query "Where will the new jobs come from?" Yet the whole idea that capitalism suffers from being too productive which you can hear in any ber room discussion -

to think matters through. Suppose the output of each hot dog maker were to double. Would there be a unemployment? Of course not. Not even if production

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suffers from a simple failure

not only of hot dogs, but of everything else were also to double. Total income would double, too, so why should not consumption double?

limited by the need to avoid

an accelerating inflation,

Krugman applies his

underlying thinking to

more than 12 per cent. A

workers well and supply

generous benefits. As a

been priced out of jobs.

designed to meet the

Maastricht conditions

Philippe Séguin, the

tations.

accounts, in Krugman's

view, for 2 or 3 percentage

points of the unemployment

rate. But instead of tackling

either element directly, even

conservative leader, wants

to increase jobs by banning

self-service pumps at petrol

French employer must pay

result there is nice work if

to saying that people have

you can get it. This amounts

In addition, an over-strict

monetary and fiscal policy

French unemployment, still

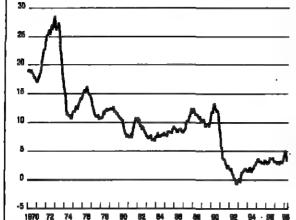
be good for jobs.

There are such things as slumps, but these have little to do with technology or giobalisation and can usually be cured by issuing more money – "full stop, end of story". To arrive at these conclusions you do not need to collect thousands of facts to impress people by your erudition. The main requirement is a simple thought experiment although the results of that experiment are confirmed by the history of the world.

Perhans Krugman is needlessly provocative when he says that the level of unemployment in the US over the next few years will be whatever Alan Greenspan, the US Fed chairman, wants it to be One can see the value of this assertion in knocking down seudo-profundities. But as Krugman himself explains in other places. Greenspan's

Krugman will undoubtedly annoy some non-stupid readers by preferring a moderate non-runaway inflation of, say, 3 per cent to "stable prices". Recent ability to reduce evidence is on his side. But nemployment is ultimately

appress broad mone



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manent degree of inflation on the grounds that it then becomes easier to make reductions in pay brought about by market conditions without anyone having to take a nominal pay cut. My own thought experiment suggests that the rigidity of nominal wage rates reflects half a century of inflation of varying degrees. If we had genuine long-term price stability that is, a world in which yearlyprices were as likely to fall as to rise - - labour

he seems to favour a modest

which no one believes would market behaviour would eventually change too. The worst chapter in the book, "The Tequila Effect". is in praise of President Bill Clinton's rescue operation of Mexico after the 1994 currency crisis. But such

weaknesses are more than redeemed when Krugman hits on the head some of the shibboleths of contemporary For instance, he dismis

the "information economy dominated by information technology. The billions of amilies in the developing world that are beginning to have some purchasing power do not want pretty graphics on the internet but houses, cars and meat. He predicts that payoffs to higher education will erode as academic credentials will have less and less monetary value. Jobs such as nursing,

earn with a PhD, inevitably, however, the greatest immediate interest will be found in Krugman's chapter "What is Wrong with Japan?" The immediate problem is not too little supply but too little demand. Answer: "PRINT LOTS OF MONEY."

How can the Bank of

carpentry or household

maintenance will pay more

than people can expect to

Japan do so when nominal interest rates are already around ¼ per cent? By buying up Japanese government securities, thus ncreasing bank reserves plus cash in circulation. This might stimulate spending directly, for example by putting cash into people's pockets; or make banks. awash with reserves, willing to land.

Some people will be comforted by the fact that an economist of a different political persussion, Milton

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with an almost identical prescription. Judging by the greatly stepped up acquisition of assets by the Bank of Japan there are signs that such advice is quietly being followed. But stimulatory action has not gone on far enough or long enough to affect the annual growth of the broad money supply which more directly

Friedman, has come out

Others are already reacting in horror at the "monetisation of the national debt". It may be true that Japan's problems partly originate in excessive monetary ease in the 1980s, which stimulated the bubble

affects domestic spending.

economy. But to use that argument against monetary stimulation today is like refusing to out on a warm coat on an ice-cold day because we will feel too hot when the sun comes out. Before then, we may die of

A somewhat more

plausible argument is that Japanese consumers and business people will in their present mood simply use any extra cash to buy dollar assets, thus contributing further to the Wall Street boom without stimulating spending in Japan. Such s movement of funds. however, is helping to drive lown the yen and make Japanese exports more profitable - thus stimulating the economy by a different

There is just one caveat. The balance between taking anti-slump action and the lear of future inflation from a cash-rich economy is one that the Japanese should choose themselves, and not to please US policymakers or cademics. If after full analysis the Japanese want to risk a deflationary spiral, it is their affair.

The earlier overstimulation was partly at the behest of the US. It follows from the argument of Krugman and other US mainstream economists that the rest of the world could offset a deflationary stimulus from Japan by sufficiently expansionary policies of its own.

The Accidental Theorist WW Norton, £16.95. samuel.brittan@fl.com

LETTERS TO THE EDITOR

Genetics code an emotive issue for informed debate, not referendum

From Mr Simon Cohen. Sir, William Hall's article "Genetic code of conduct". May 23-24), reporting the world's first state poll on genetic engineering in Switzerland, raises important ethical and legal dilemmas. Decisions about genetic

research cannot be deferred to the population at large. This is an emotive issue that does not lend itself to a decision by a referendum. Too much depends on how the questions to be voted on are framed and the tenor of the debate leading up to the referendum. It is a decision that can only be made after the fullest and most

governments to decide after comprehensive consultation with industry, academia and religious leaders. Such a consultation procedure is .in this sphere. already in place in the European Union.

The European parliament recently voted in favour of the biotechnology directive which gives the green light to a wide range of genetic research, confirming that transgenic animals are patentable. Legislation aiready exists in Europe to regulate genetic research, which is constantly monitored by various bodies comprising experts in science and tech-

informed of debates, It is for nology as well as ethics. Indeed, there already exists the European Group on Ethics in Science and New Technologies to monitor progress

MANCIAL IIA

If Switzerland votes for a ban it will merely allenate them from their European neighbours and a lot of Swiss genetic research (and investment) will be moved to more genetically friendly

Simon Cohen patent lawyer Taylor Joynson Garrett, 50 Victoria Embanisment. London EC4Y ODX, UK

Russia needs a rest from 'shock therapy'

From Mr Harry Shutt. Sir, It is astounding to read the claim in your leader, "Russia's dilemma" (May 20), that "the impact of high interest rates on Russia's undeveloped market economy is not that large". How could one suppose that these rates (at least 40 per cent in real terms) have nothing to do with the huge levels of inter-firm debt that are paralysing the enterprise sector and intensifying de facto mass insolvency, not to mention the growing threat to civil order posed by justly

deficit which is weakening the currency, particularly as more and more businesses are forced into barter and parallel market trading in order to survive, thus reducing the tax base even fur-

Instead of continuing to support the economic theorists who foisted the luher-"shock therapy" on Russia and the rest of the former Soviet Union it is surely time for the FT to take the lead in calling for a period of incensed unpaid workers? Or tight control of capital move-

significant cause of the fiscal in these shattered economies, thus avoiding the need for such crippling interest rates to achieve monetary stability. If practical proof were needed of this obvious truth it is surely provided by the contrasting case of China, where the maintenance of effective control of the currency has been a key factor in sustaining high ently unworkable strategy of growth rates over the past 20

Harry Shutt, 19 Tennyson Close, Horsham, that this paralysis is not a ment and currency trading West Sussex RH12 5PN, UK

Arab pressure not behind flight from Palestine

intimidation, violence and suicide of the Zealots at

From Mr Own Stmon. Sir, The facts about the Arab flight from Palestine in 1948 used by Sam Goldman (Letters, May 22) are wrong and have been disputed by Jewish historians of Israel in recent years. Most of the Palestinians who were dispossessed of their land and homes as a result of the creation of the State of Israel in

1948, fied as a direct result of

sometimes mass murder, as in the case of the appalling messacre of the inhabitants of the village of Deir Yassin near Jerusalem, by the armed forces of Israel. Only a minority fled in

response to Arab pressure but it has suited the Israeli government and those sym-. pathetic to it to argue otherwise. Like the mythical mass. London SW18 5DL, UK

Masada, now also found by Jewish historians to bave been an invention of history the myth of the Arab flight from Palestine in 1948 is an example of the corruption of history and fabrication of myth to serve political ends.

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A swansong performer

Last year, the Philippines surprised many people by avoiding Asia's contagious crisis. Justin Marozzi asks whether it can this time as well, under a new president

sked what would president of the Philippines on June 30, Joseph "Erap" Estrada said he would offer a prayer to God. Many investors will be doing exactly the

As a successor to the highly regarded Fidel Ramos, Mr Estrada could hardly be more different. While Mr Ramos was a longserving military officer, former defence secretary and architect of the Philippines' economic recovery since 1992. Mr Estrada is one of the world's more colourful politicians, a former movie star-turned-populist vice-president with a penchant for womanising, hard drinking and gambling.

Sound economic management is not considered his forte - a worrying perception at a time when many Asian economies are suffered a renewed and virulent outbreak of trouble.

But the differences between the two men may be misleading. By delivering an impressive economic turnround, the Ramos reforms have ushered in a consensus among political leaders to avoid policy reversals. Falling output in the early 1990s was reversed and the economy grew 5.1 per cent last year, despite prob-lems elsewhere in Asia. This was a remarkable performance for a country traditionally among the worst performers in the region.

To emphasise continuity, Mr Estrada has reiterated his commitment to Mr Ramos's free market orthodoxy. The tone of his administration will differ - the government's focus will shift towards the beleaguered agricultural sector, which has long dragged down national growth and kept more than a third of the population below the poverty line - but most expect reform to continue, albeit more slowly.

All the same, good policy is not just a matter of advice. The people with influence matter a lot, too. And a recurrent concern in arouses mixed feelings. "We the Philippines is the potential for a return to crony cap- Marcos but if we don't learn italism, the economically the lessons from that period destructive hallmark of we're doomed to make the last year. These reforms go a



president. As Indonesia has vividly shown, this is a problem that can bring a government down.

Eduardo Cojuangco, close business associate of Marcos and a key financial backer of Mr Estrada, is expected to receive more sympathetic treatment from the new administration. He has a long-running ownership dispute with the government over a 48 per cent stake in San Miguel, the food Marcos, the former first lady and beverage group capital- who also backed Mr Estra-

Romeo Bernardo, former undersecretary of finance.
Lucio Tan, the Chinese Filipino tycoon whose rise to become probably the richest man in the country was closely associated with the Marcos regime, is another supporter of Mr Estrada. A bete noire of the Ramos administration, he has a 26bn pesos (£412m) tax eva-sion investigation hanging over him. Meanwhile, Imelda

We want to exorcise the ghost of Marcos but if we don't learn the lessons from that period we're doomed to make the same mistakes'

Mr Estrada says he will abolish the Presidential Commission on Good Government (PCGG), established in 1986 by former president Corazon Aquino to recover assets - such as Mr Cojuangco's - believed to have been illegally acquired during the Marcos era. It is not clear how such ownership disputes would be resolved.

Dismantling the PCGG, which many believe has failed to fulfil its brief. want to exorcise the ghost of

da's presidential bid, is thought unlikely to be sent to prison in spite of a recent Supreme Court ruling. As Marcos cronies."

Marcos-era figures belies the fact that six years after Mr Ramos came to power the business landscape has changed considerably. Monopolies have been dismantled in telecommunica-

ping, water and power. Banking has been opened to foreign competition and the oil industry was deregulated Ferdinand Marcos, the late same mistakes again," says long way towards explaining of my career".

why the Philippines has damaged by the regional cri-

"Many of the things we're recommending in Vietnam, Indonesia and Thailand are already in place here," says Vinay Bhargava, head of the World Bank in the Manila The Philippines is near the top of the development curve in East Asia in its liberalised and competitive policy environment. The economy is well on its way to global integration,"

The Asian crisis has also refocused attention on the value of democracy. Whatever the carnival-like excesses of one of the world's more exuberant democracies, it is a stark contrast to the political crisis exploding in neighbouring Indonesia. "We may have elected a clown to be our president, but at least we don't have dead students on the streets," says a local

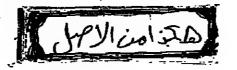
Mr Estrada is likely to be a more hands-off president than Mr Ramos. Much decision-making will devolve to the cabinet, which is why in the weeks leading up to Mr Estrada's inauguration, bustnessmen have been closely scrutinising every appointment. Initial signs are generally encouraging. The likely executive secretary and the probable finance secretary are both considered safe pairs of hands. The central bank governor says he will remain in office for a while.

So will the foreign secretary. What unsettles observers, however, is the danger that Mr Estrada will be unable to impose policy coherence on a fractious cabinet (Mrs Aquino failed on this count). The potential for division is one European businessman real enough. Mr Estrada's puts it: "It's a return of the advisers run the political gamut from former commu-But the re-emergence of nists such as Horacio Morales, the next secretary of agrarian reform, to free-

market zealots. If he can control them. however, Mr Estrada would have the chance to confound the doomsday predictions of tions, civil aviation, ship- his critics and lead the Philippines to sustainable growth. And if he does that. the Estrada presidency really will be, as he puts it "the last great performance

Euro-banks

Gateway 2000 Europe · Clos rial Estate • Dublin 17 • Ireland my 7000 Europe, Mark-met-white spot deepys. "G" logo, "flowin gar a fraeed in the humans" singers, CATEMAY and CATEMAY 2000 are used i made. Logo and Penham are represent equivaments of first Corporation. All other branch and produce names are endemands or regional and parts are subject to thought without month on producing and protect produce in Section All sales subject to Garway 2000 Europe's as added practice at to measure among the COV size. Actual viewing state can be apposed. Life for Adactionam thoughputs. Earth



allegations but "China

President Clinton so far.

gible advantages.
The story starts with an admis-

nese-American businessman who

This suggests to some that China

contributions to influence US pol-

China Aerospace is connected

Space and Communications

whose chairman, Bernard

Schwartz was the largest single

party campaign. In February

1996, a rocket belonging to China

in a Chinese review of the crash

laws and could have helped

system. Loral denies the charge.

All that was serious for the

company, but did not necessarily

involve the president. This Feb-

ruary, however, even with the

justice department's investiga-

tion still going on, Mr Clinton

The allegations have been legat

upon by the Republican majority

in Congress, who had failed to

find much public support for

White House intern Monks Lew-

insky. Some legislators, including

the House Speaker leader Newt

Gingrich, have called on Mr Clin-

ton to cancel next month's trip.

They were backed by legislators

worried that the US engagement

with China is ignoring the cru-

cial issue of human rights abuses

there. Hence the domestic US

embarrassment could coincide

with the equally embarrassing

possibility that a big summit

which the White House believes

is vital to US-China relations.

could be damaged by Mr Clin-

The president said on Tuesday

that to cancel the summit would

be a mistake and that the US

"partnership" with China had

yielded results in stopping the

transfer of missile technology to

other countries. There had also

fronts, he said. Senior officials

led by the national Security Advi-

to leave for China on Sunday to

ton's domestic opposition.

to China.

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Thursday May 28 1998

Russia's rouble crisis

Having staved off two attacks on exchange rate anchor has delivthe rouble in the past eight months, Russia now faces an even greater challenge. The rouble yesterday came under its most serious pressure yet, prompting a rise in interest rates to 150 per cent. Whether Russia survives this crisis depends on whether Boris Yeltsin, the presi-dent, can accept his role in bringing it about - and credibly commit to real reform.

The root of the problem is Russia's public finances, which have been in an unhealthy state for me time. This has increasingly led investors to withdraw, putting pressure on the rouble and leaving the Russian authorities no choice but to raise interest rates. But they are caught in a vicious circle. Each interest rate rise increases their debt service payments and further worsens the public finances.

Recent events have brought the situation to a head. Mr Yeltsin's decision to sack his cabinet left foreign investors feeling neryous. The failure of the Russian government to pay public sector wages then led to a costly blockage of key railway lines by striking miners. And the collapse on Wednesday of the Rosneft privatisation was the last straw. Not only was it meant to be a showcase privatisation but the revenues it would have raised were crucial to the public finances.

The situation is now fragile. But a devaluation must be

 $-i \sim \rho_{\rm c}$

ered some stability to the Russian economy and is the only credible monetary target. And the rouble is not overvalued. A forced devaluation would be extremely destabilising for the Russian economy - and could have serious knock-on effects for other vulnerable currencies, particularly in eastern Europe.

Russia's problems have sprung from a government too weak to impose the necessary reforms. Mr Yeltsin must now show strong leadership. First, he must avoid the temptation to use Sergei Kiriyenko, his new prime minister, as a scapegoat. Second, he must accept that the public finances are at the heart of this crisis -Asian contagion is no longer a factor.

The International Monetary Fund, now in Moscow, also has a critical role to play. It is due to release a tranche of Russia's IMF programme and is under pressure to grant an emergency rescue package. It could be reluctant to do so, as Russia's promises of tax reform have been too slow in coming and so far unmatched by

But, with the support of world leaders, the IMF could use this crisis as an opportunity to impose stricter conditionality on Russia and to demand greater involvement in its attempts to reform its public finances. Mr Yeltsin must swallow this medi-But a devaluation must be cine if he hopes to escape the avoided if at all possible. The crisis without lasting damage.

Euro-banks

There are good reasons for European spread without obtain-European banking mergers and bad ones. Unfortunately, the battle between ABN Amro and Fortis for Belgium's Générale de Banque seems likely to unleash a flood of deals of both kinds.

Good mergers are those driven by the desire to make assets European banking's problems. ket. Bad mergers are those where to create a region-wide network the principal motive is size - of assets or of market capitalisation - or a spurious desire to achieve pan-European status in a hurry.

in the Générale de Banque case, both bidders can be absolved of the worst of these faults, though neither is entirely free from criticism. Fortis represents one of the bancassurance combinations whose long-term value to shareholders is still unproven. ABN Amro builds its case for the deal partly on revenue synergies that cannot be

Still, both have plausible strategic objectives in the deal. In particular, both of them acknowledge that the home market for a bank in Belgium or the Nether-lands is now the Benelux region as a whole. That is a sensible sten forward, akin to the consolidation at home and abroad practised by Switzerland's newly

merged UBS. What would be less desirable is

ing serious cost savings or an integrated regional business. Hastily assembled combines, to

dominate national markets or achieve a notional parity with the newly merged American giants, are not the answer to work harder, or to escape from Similarly, bolting together banks the trap of a small domestic mar- in individual European countries an approach which several banks are rumoured to be contemplating - is also likely to prove a mistako.

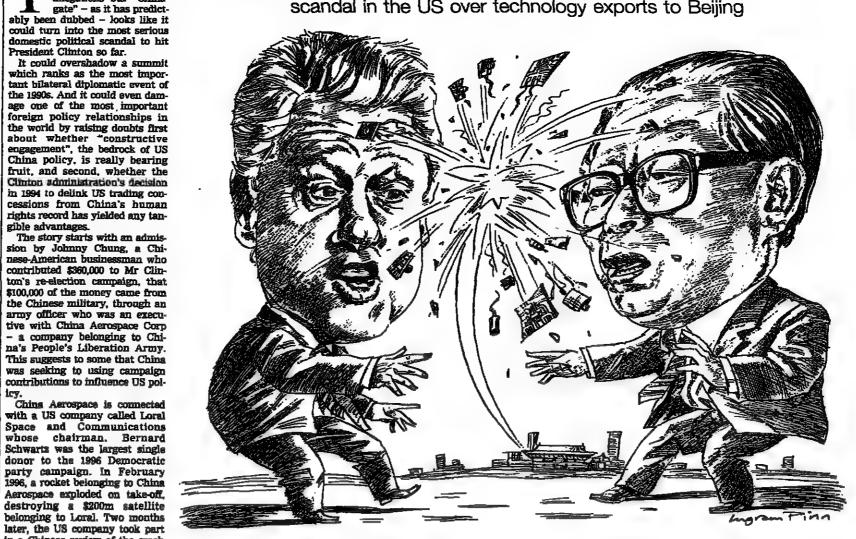
Technology apart, there are few economies of scale in commercial banking once a national network of branches is achieved. And though some of the valne-added parts of banking - such as international corporate advisory work - do require a worldwide spread of resources, they bring diseconomies of scale along with them.

Europe's banks face substantial strategic challenges. The euro's likely impact on domestic business; the effect of telephone and internet transactions on the profitability of bricks-and-mortar branches: the emergence of a top tier in investment banking that most European banks cannot now hope to join. A clear strategy to address these issues is indeed likely to involve mergers; but mergers without the strategic

a flood of mergers aimed at bulk- answers merely compound the ing up banks either in size or in puzzle.

hina connection goes sour

Stephen Fidler and James Kynge look at the wider implications of the scandal in the US over technology exports to Beijing



which was looking for ways of avoiding other such disasters. In negotiate details of the trip. March 1997, the US Justice Whatever comes from that, the Department launched an investiscandal has re-opened the fierce gation into allegations that Loral debate in the US between suphad done more - leaked satellite know-how to China, which would porters of "constructive engagement" with China (which the have breached export control administration has strongly

backed since 1994) and supporters

China with its missile-guidance of "contamment". For the constructive engagers, such as Nicholas Lardy, senior fellow at the Brookings Institution, the allegations represent "a tempest in a teapot". Mr Chung's claims have been made as he seeks a plea bargain over charges he funneled illegal contributions granted Loral permission to to the Democrats' campaign and export new satellite technology must therefore be treated sceptically. (The donations were in any case paid back). Moreover, says Mr Lardy, the idea that in 1996 the US changed policy towards Chinese launches of US satellites their campaigns against Mr Clinton over Whitewater and the is plain wrong. "The US has been approving satellite launches for a tegic disputes with Japan, Washdecade: none has ever been

turned down," he says. and too unreliable for the US administration to engage with safely. They claim that policy may have already have jeopardised US national security. And even short of that, says Thomas Duesterberg, senior fellow at the Hudson Institute in Washington, what China's government should despite an overall reduction of tariff levels by China, many other obstacles have been put in the way of US exports. New rules are all too frequently created to offset the impact of liber-

alisation measures," he save. All this argues, he says, not for been recent advances on the an end to constructive engagepolitical and human rights ment with China, but at least a more cautious approach to it. The administration is likely to sor, Sandy Berger, are expected

than with Mr Duesterberg and those like him in Congress. For Mr Clinton, China has now

become a key protagonist in most

recent nuclear test have shown just how pivotal China is to US policy in Asia. China has been attempts to halt North Korea's strong alliance with Pakistan makes it influential in the politics of the subcontinent. But its territorial ambitions make for friction, in particular its claims that Taiwan - which has military and unofficial political ties with the US - is part of its territory. It also has claims to territories in the South China Sea which are signment has the potential to disputed by many of its south- divide opinion among leaders and east Asian neighbours and has longstanding territorial and stra-

China is simply too anthoritarian importance in a different way, cultural attitudes and historical The Chinese refusal so far to achievements during his summit of devaluations elsewhere has been praised by the US as an important contribution to stability. A Chinese devaluation would risk another round of Asian cur- amounted to a compliment to US rency turmoil that could do more damage to world growth - and to Clinton administration - as it not be taken at face value. This is the US economy. In talks with US true, he says, of trade, where officials this week. Chinese officlass have reiterated their determination not to devalue, but the decision may become tougher to sustain if a second phase of the Asia crisis looms - and if the yen weakens further.
For their part, China's leaders

also have good reasons for wanting engagement with the US. Jiang Zemin, the president and part of a "new generation" of leaders to gain full prominence want to side with the construc-tive engagers such as Mr Lardy last year, has regarded the nology Control Regime (MTCR), a dangers of containment.

improvement of US-China ties as the cornerstone of his strategy.

China's economy may need sile technology. But diplomats more help from the US than said that India's nuclear tests of Asia's security issues - and seemed necessary a couple of Asia's financial crisis and India's years ago. Asia's travails have reduced the flow of foreign investment into China - and trade with US, in which China co-operating with the US in runs a \$50bn annual surplus, is even more important than it was nuclear programme, and its to keep the Chinese economic engine going. Hence, a successful Clinton

summit would provide a critical endorsement for Mr Jiang's leadership at a time when the reforms he has pioneered have led to surging unemployment. Although leaders are not directly elected in China, public distiluparalyse policymaking. Friction over Mr Clinton's visit

The Asian financial crisis has context he bent over backwards playing, his hanging the gong to start trading of the New York Stock Exchange and his liberal use of English during that trip opinion. But a snub from the cal minefields - would risk making Mr Jiang look foolish.

Where, then, does that leave the summit? The answer is in limbo. Despite the efforts and interests of both governments, the summit can achieve and have a village where elections had probably done considerable damto constructive engagement.

The US side was initially pushing for China to make progress this month have so joited the region's strategic balance that Beiling may be reluctant to sign any arms control treaty at this

Progress on MTCR was being linked to US concessions on the vexed issue of Taiwan - specifically whether the US would sign a statement to reduce arms sales to the island which China regards as a renegade province. Such a statement may still be possible but its content may now be diluted.

That leaves one other hig issue of substance: negotiations on China's accession to the World Trade Organisation. These have intensifled, officials sas. But a genuine breakthrough is complicated by would deal a sharp blow to Mr Beijing's reluctance to make mar-Jiang's prestige. In the Chinese ket opening concessions until its financial institutions and corpo-The "containers" argue that underlined China's growing to show accommodation of US rations have had a chance to disgest a current phase of destabilising economic reform. And on the devalue its currency in the face there last year. His guitar US side, the annual debate in Washington over whether to grant China most-favoured nation status as a trading partner has been complicated by the campaign finance allegations. Indeed. the administration is seeking for that debate in Congress - originavigates its own domestic politi- nally scheduled for when Mr Clinton was in China - to be put

> That could leave the summit mainly symbolic. It was suposed to show images of Chelsea Clinton watching a Chinese Sesame the scandals have limited what Street, or of the president visiting taken place, beaming a message age to hopes of a new momentum of hope to the US. Instead, these may just be empty gestures, symbolic of the unresolved tension in the US between the difficulties of constructive engagement and the

back.

War in Kosovo

Kosovo has become the cockpit of Macedonia. While publicly supanother Balkan war. Sporadic clashes between the ethnic Albanian majority and its Serb overlords have developed into a full-scale struggle - exposing the failure of current international

policy towards the issue. Under US pressure, Serb leader Slobodan Milosevic agreed this month to talks between his representatives and moderate Albanian leaders. But the talking has done nothing to halt the fighting. There is an urgent need for a firmer and more consistent international response, starting with today's meeting of Nato foreign

ministers in Luxembourg Most observers hold Mr Milosevic, who several years ago stripped Kosovo of its provincial autonomy within the republic of Serbia, to blame for the conflict. But one might conclude the opposite from the international community's actions. Even the US, Which has taken the firmest rhetorical line against Mr Milosevic, has flip-flopped on sanctions. This month, the US and its European partners in the Contact Group first imposed an investment ban on Yugoslavia, then suspended it when the Kosovo talks started, and may now have

to re-impose it. By contrast, the Contact Group has insisted that the Kosovar Albanians should not strive for outright independence, which to press for a ceasefire as well as could destabilise neighbours like talks.

porting the Albanians' demand for third party mediation, the Contact Group has privately pressed them into direct talks with Belgrade. The implication of this is that Kosovo should stay within Serbia as well as within Yugoslavia. The result has been to undermine the moderate ethnic Albanian leader, Ibrahim Rugova, in favour of the more radical Kosovo Liberation Army.

Even the dispatch of a Nato force to Albania itself - as requested by the Tirana government - now looks double-edged to Kosovo Albanians. Such a force might deter Serb incursions into Albania, but it might also stop arms reaching the KLA. It is now dawning on Nato that this could put it into the same invidious position as United Nations forces were in Bosnia: preventing the weaker side from defending itself while doing nothing to

check the stronger side.
If Nato proceeds with such a policy, it could make matters worse than if it did nothing at all. In any case, the western allies may yet find themselves facing calls for full-scale intervention in Kosovo itself. Nato ministers would do well to begin honestly confronting the options today. Meanwhile, their governments should keep economic sanctions on Belgrade, and start Spinning out of control?

if Charcellor Helmut Kohl was

looking for a government spokesmen who would throw his weight around, he certainly seems to have succeeded with the man he appointed this week. Christian Democrat MP and former journalist Otto Hauser, 45, whose trademarks are Boss suits and Armani glasses, is a spin doctor in a hurry. There's a big

opinion poll gap to close and just four months - including a parliamentary recess - until the general election. So he got on with making waves at his first government press conference yesterday, wasting no time on the notion that official

spokesmen should be above party politics. "I am a politician. I have political opinions," he told the unusualiv well-attended midwee briefing, and promptly put the boot into the opposition Social Democrats as spokesmen from various Bonn ministries rolled their eves towards the heavens

This tough spin-doctoring might Peter Hintza, the COU's general secretary who is supposed to be i charge of party propagands. And what will Andreas Fritzenkötter, the chancellor's own spokesmen. make of his new rival? Or for that matter Matthias Wissmann, the transport minister who is also meant to be beefing up the CDU's economic message?

With so much spinning going on, there must be a danger of the CDU campaign flying off into orbit.

Holy unacceptable

India's nuclear scientists might wish they'd kept their isotopes to themselves. True, the nuclear tests have made them popular heroes and prize catches on New Delhi's glittering social circuit - but years of messing about in lonely laboratories with test tubes and

van der graaf generators isn't the best preparation for being mobbed

wherever you go. Apparently the pressure of admiring fans is so great that A.P.J. Abdul Kalam, the sprightly head of the Defence Research and Development Organisation, has given up his daily walks, and has been advised to keep away from cocktail parties attogether - maybe officials are worded about what kind of brews he might cook up.

As if that wasn't bad enough, the bleak Pokharan test site itself has become a star, and might even become a sacred shrine: member of the Vishwa Hindu Parishad, a religious group, want to build a temple there. Though the idea of sending a heap of Pokharan sand on a progress around India appears to have been dropped.

But the feelgood factor created by the tests is fast dissipating in New Dethi's 47 degree summer heat, where long power cuts are adding to the misery of water shortages. What's the point of exploding bombs under deserts.

some are asking, if the lights, fans and air-conditioning don't work?

Tight Lippen

OBSERVER

Maurice Lippens, Belgian co-chairman of Belgo-Dutch financial services group Fortis, was scrupulously polite about ABN Amro - which unsportingly trumped his bld for Générale de Banque this week - at vesterday's

But he couldn't resist a little dig after dwelling at length on the record profits growth at MeesPierson, the Dutch investmen bank Fortis acquired in 1996. This was, said Lippens, in contrast to MeesPierson's "stable results" under its previous owner. Which was, of course, ABN Amro.

Tongue tied

annual meeting.

Watch out if you're tempted to call the European Union's proposed withholding tax directive un directive en vue de gerantir un minimum d'Imposition effective de revenus sous forme d'intérêts à l'intérieur de la Communauté - as one Eurocrat did this week. Chrissie Maher is after you.

The founder of the Plain English Campaign, which has shaken up officialese in the UK, is in Brussels today to knock some sense into European Commission officials who never use one word when trois will do.

The redoubtable mother of four from Liverpool didn't learn to read or write till she was 14, but is now hacking away at the jargon jungle. She has been invited to Brussele by Fight the Fog, a campaign launched by English language translators in Brussels to stop Eurocrats calling a sheep a grain-consuming unit. There's been some

encouragement from the British presidency, and it's hoped the Austrians will follow suit when they take over in June. The Finns, who take the chair in January, say they're all for it - their plain-speaking commissioner Erkki Liikanen spoke at a Fight the Fog

The key, apparently, is to Kiss -

Listing to port

keep it short and simple

So much for the hopes of losco, regulators club, which yesterday proudly unveiled new disclosure standards on cross-border listings. The watchdogs want companie seeking such listings to disclose every director's salary, stock options and benefits. So it was unfortunate that losco chose to set out its stall in Paris - such standards don't apply to French companies, let alone outsiders, Michel Prada, head of the Commission des Operations de Sourse, the French member of losco, stressed that the guidelines allowed for cultural differences to be respected. But secretive Gallic bosses be warned. Prada said he "personaliv" – would not oppose more transparency in future.

Financial Times 100 years ago

The War Intensifies Washington, 27th May. This morning there was a revival of the rumour that General Miles was about to start at once for Tampa, preparatory to the fact, a special car for General Miles and his staff has been at the railway station for some days in readiness to start at a moment's notice. The Commander-in-Chief has for many days been anxious to start, and has only been restrained by the fact that the conditions are not yet ripe for a movement on Cuba. It can be General Miles himself has not yet decided when to begin the

50 years ago

nvasion of Cuba.

U.S. CommoSties Price Trend New York, May 27. Since the Treasury, disregarding the earnest advice of the Federal Reserve authorities and the strong hopes of the banks, announced in effect that there would be no tightening of short-money rates this summe in connection with its turnover of about \$10,000 millions of June and July maturities, commodity markets have taken the riflationary hint with laudable calmness. In this they reacted conversely to Stock markets.

g Aluminum to double

indicard escents face from him

, in the Fg.

THE LEX COLUMN

Rouble rescue

What a gamble! Raising interest rates to 150 per cent certainly demonstrates Boris Yeltsin's determination to support the rouble link to the dollar. But with inflation around 10 per cent, real interest rates are pip-squeakingly high. Unless rates come down rapidly, the gamble will backfire as soaring government debt-servicing costs wreck efforts to curb the budget deficit. And the damage to the economy should not be underestimated, even if debt financing is relatively limited in the early phases of the country's transition to a market economy. The 53 per cent fall in the Russian stock market since the start of the year is evidence enough of this.

Meanwhile, the temptation to borrow in foreign currencies at lower interest rates should be resisted. If Russia were to have to give up the fight to maintain the rouble's value, the linchpin of its stabilisation programme, the consequences of such borrowing could be horrific. Can the Asian crisis have been forgotten even

Probably the best short-term fix is a quick and transparent sale of oil group Rosneft. If finding bidders means having to lower the asking price, so be it. Arguing the case for a rapid disbursement of funds from the IMF is also an obvious step. As ever, however, the government's priority should be to redouble efforts to improve tax collection and reduce its dependence on foreigners for buying its

European bank mergers

So, Emu means Europe's banks should engage in a frenzy of cross-border mergers? Well, no and yes.

Europe has recently witnessed a rash of full-blooded cross-border deal. The vast bulk are "in-market" mergers, where two banks in the same country combine. Even ABN Amro of the Netherlands' bid for Belgium's Générale de Banque is best described as a "near-market" tie-up, where banks in neighbouring countries

In-market deals - like Switzerland's to risk and the like vary. UBS/SBC, Italy's Credito Italiano/Unicredito and even the mooted Halifax/Royal Bank of Scotland tie-up in the UK - make

north-east of Europe will be wet.

quite surmy but Portugal, Spain

Five-day forecast

break out across south-east Europe but the east and the Beltic states will stay fine. Southern

the north staying showery.

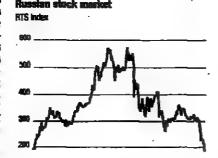
TODAY'S TEMPERATURES

Scandinavia will become wet, with

03000

Beijing Beitast Beigrada Berlin Bermuch Bagota Bombsy Brussels Budapes

and Italy will have scattered thurs-



the value of a cross-border deal is more strategic. The benefits come less from cost-cutting and more from long-term revenue enhancement. The same goes for

In an orderly world, Europe's banks should consolidate at home first before venturing abroad. That advice certainly applies to the extremely fragmented Italian banking sector and, to a lesser extent, Germany's and France's.

But what happens when banks have already put their home in order? Several banks in Britain, the Netherlands, Switzerland and Scandinavia are now so big that they probably cannot grow by acquisition in their domestic markets.

Here, two very different strategies are being pursued. Some, like the Dutch and Swedes, are trying to stretch their home territory - to Benelux and Scandinavia respectively. The British, by contrast, are buying back their shares.

This looks like poverty of imagination, bank mergers. But none is really a reinforced by the UK's initial absence from Emu. Of course, there is not a single banking market yet. Tax and regulatory differences mean banks would be hardpressed to sell, say, the same mortgage product across the euro-zone even when there is no currency frontier. Nor do people across the euro-zone necessarily want to buy the same product; attitudes

But this is a terribly static way of looking at things. Eventually, Euro will erode these distinctions and so cross-borgood sense. They can quickly add value der banks will enjoy economies of scale. by stripping out duplication. By contrast, Merely adopting the classic UK approach

missing opportunities. Britain's banks have an edge - a consolidated home base, low costs and high share prices - and should press home their advantage.

The current merger wave is prising loose institutions which could not have been bought even a year ago. Whenever an in-market deal is done, the banks concerned are arguably put into play - as ABN Amro has shown by muscling in on Fortis' agreed deal with Générale de

Nor do the politics necessarily work to the insider's advantage. True, national pride can be wounded when a big bank falls into foreign hands. But, with costcutting in-market mergers, the buyer has to run the gauntlet of the unions.

Poor old EMI. After Seagram's acquisi-tion of PolyGram, EMI shareholders face the prospect of sluggish earnings unalleviated by bid speculation. Sir Colin Southgate is bravely saying the industry's com-petitive dynamics are unchanged by the deal. But the fact is that EMI's most likely partner has quit the scene, strengthening two of EMI's rivals in the process.

A quick look at the PolyGram/Seagram transaction multiples suggests EMI shareholders will be lucky to see a whiff of the £7 per share for which Sir Colin was holding out. Stripping out the PolyGram film business, worth perhaps only \$750m despite the \$1bu-plus sunk investment, Seagram paid some 17 times PolyGram's 1998 operating profits.

Applying the same multiple to the 2341m 1996 operating profits EMI reported yesterday gives an enterprise value of some £5.5bn. Less around £750m debt, RMI shares on this basis are worth around 640p. But since potential media bidders for EMI – only Bertelsmann and Disney currently seem plausible - are unlikely to have the same level of synergies as between Seagram and PolyGram, these multiples are on the high side.

A more straightforward method is simply to apply the 34 per cent premium Seagram paid for PolyGram to EMPs pretalks announcement share price of 505p. giving some 680p. But even this is a little rich, given the bid speculation that had long distorted EMPs fair value.

WEATHERCENTRE

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South Korean strike may damage economic reforms

Tens of thousands of South Korean workers yesterday launched a two-day general strike that threat-ens to undermine economic reforms and scare off foreign investors as the nation struggles with its worst recession in two decades.

The strike, by the militant Korean Confederation of Trade Unions to protest against growing unemploy-ment, came in spite of a government warning of a crackdown on union leaders who were accused of staging "illegal" industrial action.

Fears of renewed labour violence which marred May Day protests receded as workers gathered peace fully under beavy police escort in Seoul and other cities.

The KCTU, the smaller of Korea's trade union groups, estimated that 120,000 of its 550,000 members had gone on strike. The turnout appeared to be lower, however. Only 2,000 workers demonstrated in front of the Seoul railway station compared with 20,000 union members who had participated in May Day

Public support for the strikes has been lukewarm. Many KCTU members, who are employed in the important car, shipbuilding and steel



sends of South Korean workers vent their feelings as they join the general strike sting outside Secul rativaly station

jobs from next month in response to

Unionised industrial workers have coming from small businesses that

The strike's biggest impact was to sack nearly a fifth of its 46,000lines at Hyundai car plants in Ulsan unions' demands.

were shut down as 27,000 workers summer of discontent as the confailed to report to work. They were glomerates, or *chaebol*, begin to cut joined by 2,700 workers at Hyundai Precision & Industry, which produces four-wheel-drive vehicles.

The KCTU has demanded a stop to been hardly affected by the recent mass redundancies, an increase in jump in unemployment to 6.7 per unemployment benefits, more cent, with most of the jobless reform of big conglomerates and a renegotiation of the UMF's \$58.35bn

bail-out package. it warned that the strikes, schedfelt at Hyundai Motor, Korea's big-gest carmaker, which is threatening extended if the government used force to stop them. Another general strong workforce because of a strike is scheduled for June 10 plunge in domestic sales. Production unless the government meets the

Euro benchmark sponsors vow to resist political interference

The sponsors of Euribor, a European reference rate for lending in the euro, yesterday said they would resist political interference by European governments so the benchmark could compete effectively with its London rival. The benchmark, devised in Brussels, will be a direct competitor to the London Interbank Offered Rate - Libor - the reference rate for lending in the world's lead-

Some bankers have criticised Euri-bor as "too politicised". The Banking Federation of the European Union (FBE), which jointly devised Euribor with ACI, the international financial markets association, implicitly accepted the criticism but said it would resist preesure. "It [Euribor]

will not work if it is politicised," said rates from which an average is Nikolaus Bömcke, secretary-general ble rate to convince the markets."

tions to adopt the new rate. The Banque de France and Bundesbank have been strong proponents of Euri-bor, which they believe could help them hire money market business away from London after European monetary union.

Also, French banks are subjected to constant "encouragement" by the French central bank to use the new benchmark, which Matif, the French derivatives market operated by the Paris Bourse, has already announced it will adopt.

Another contentious issue is the selection of banks that quote daily

calculated to form the offer rate. The of the FBE, "We must have a credi- British Bankars Association, which ple rate to convince the markets." calculates Libor daily, says it will Euribor's credibility has been choose the 16 most liquid banks for questioned because of political pres- its panel to set the Libor rate on the sure on euro-zone banks and institu- euro. A spokesman for the BBA yesterday said the association was confident Libor would be the standard offshore rate for the euro.

Initial plans, supported by the French and German monetary authorities, for Euribor to include banks from every RU country have been shelved. The list of 54 banks. published yesterday, includes banks from non-EU countries such as the US and Japan, but none from

"There is absolutely no way" a bank would be maintained in the sample of contributors for political reasons, Mr Börncke said.

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MOSSWORE, Page 24

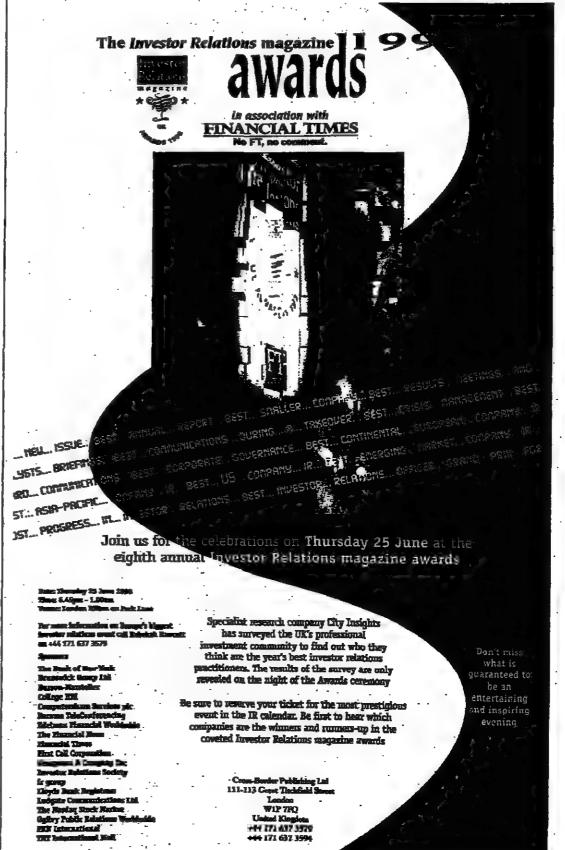
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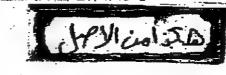


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FINANCIAL TIMES

COMPANIES & MARKETS

THURSDAY MAY 28 1998



INSIDE

Hydro Aluminium to double yearly production by 2005

Hydro Aluminium, a subsidiary of Norsk Hydro, Norway's biggest quoted company, is soon to decide on the location of a \$1bn smelter. The smelter, to be built either in Trinidad or Qatar, will be its first outside Europe. Hydro intends to double its annual aluminium production to 1.35m

German Investors flock to buy-outs Germany overtook France as the most active private equity market in continental Europe last year, as investors flocked into leveraged buy-out de

Rate rise hits South African stocks



interest rates in South Africa, triggered by the fragile rand, has cut a swathe through the Johannesburg stock exchange. For most of this year, equities reared ahead as investors diecounted a rosy interest has changed with the Reserve Bank waging war on currency speculators. Analysts warn banke may have to raise lending rates to the public if

AssiDomän may have to seil land AssiDomán, the Swedish paper and packaging group, could be forced to sell some forestry assets to the Swedish state under a government scheme to repurchase forestry land. Page 18

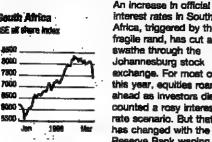
Matif to end open outcry trading Metif, France's derivatives exchange, said it would transfer all trading to its electronic platform next Tuesday, only six weeks after it introduced screen based trading. Officials at Matif, Europe's fourth largest exchange by volume, had expected the transition period to last much longer. Page 16

Troubled rouble boosts dollar Crumbling confidence in the rouble helped the US dollar advance against European currencies as

Support for Texas Utilities The \$11bn syndicated loan for the acquisition of The Energy Group, the UK electricity supplier, by

tonnes between 1996 and 2005. Page 24

and took equity stakes in a growing number of start-up or young businesses. Page 18



rency market turmoil persists. Page 34

stors sought refuge in quality. Page 23

US credit card Issuers face trouble The US credit card industry has been profoundly affected by the wave of mergers and acquisitions. Commercial and Investment banks have taken advantage of the situation to realign their industry. But credit card issuers face growing write-offs, harder competition and overcapacity. Page 17

Texas Utilities of the US has closed with strong support from a syndicate of 48 banks. Page 22

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Daimler-Chrysler jobs pledge Shareholders welcome merger as chairman promises to protect workers and Mercedes-Benz car brand

By Graham Bowley in Stutigert

Daimler-Benz shareholders vesterday welcomed the company's merger with Chrysler as Jürgen Schrempp, chairman, promised there would be no job cuts and vowed to pro-tect the Mercedes-Benz car

Separately, German unions agreed that US car workers would be represented on the supervisory board of the new Daimler-Chrysler company.

Daimler. Germany's biggest industrial group, told 14,000 shareholders at its annual meeting in Stuttgart that separate talks were progressing with several truck-makers in Asia, including Nissan Diesel, the truck division of Nissan of Japan, about possible co-operation and even acquisitions. Mr Schrempp indicated Daimler would take a stake of more than 50 per cent if it decided on an acquisition in

He refused to give fresh details about the Daimler-Chrysler merger, saying more information would be available at an extraordinary shareholders meeting in the autumn when shareholders could vote on the merger. But he tried to reassure those present about

Hicks

Muse in

Argentine

telecoms

purchase

company's reputation and dropping the name of Karl Benz, one of the company's founders, from the title of the combined group.

"The name Karl Benz will be prominently represented in our proud Mercedes-Benz brand all over the world," he said. "Jobs in our new company will not be at risk." Shareholders responded by

Schrempp on the merger. IG Metall, the big German engineering union, indicated that United Autoworkers, the US union, would take one of three union places on the Daimler-Chrysler supervisory

three direct representatives on isage was whether IG Metall gave up one of these places to the US cer workers' union. Daimler workers elect directly a further six members of the supervisory board. US

workers in the combined

group are not expected to be

offered the chance to partici-

pate in filling these places. Daimler revealed that strong growth in the US was the driving force in its 22 per cent

months of this year.

nue forecast for the whole of 1998 to DM140bn (\$80bn) from DM134bn after sales reached DM43.8bn in the first four

In the US, revenues DM10.3bn, and the company sold 69 per cent more cars. Daimler said operating profit standing to congratulate Mr this year would grow more strongly than rever Mr Schrempp said board

members were becoming keener on launching the Maybach, a luxury car which would compete with the Bentley and Rolls-Royce marques. A decision would be made in At present IG Metall has the next few weeks.

He added that 300,000 custhe 20-strong supervisory tomers had already shown an board of Daimler-Benz. At interest in the company's new small Smart car, which is to be introduced in the autumn after delays.

Revenues at Daimler-Benz Aerospace, a partner in the Airbus Industrie airliner consortium, rose 18 per cent to DM4.6bn in the first four months. New orders rose 191 per cent to DM10.3bn. Sales of trucks grew 23 per cent to 2S per cent to DM19.9bn.



BRITISH AIRWAYS CHIEF DENIES DEPARTURE REPORTS AND POINTS TO BETTER PROSPECTS

Ayling still optimistic as sterling and strike cut BA profits by 9.4%

A strike by cabin crew and the By Ken Warn in Busines Alms and William Lewis in New York Hicks, Muse, Tate & Furst one of the biggest private equity firms in the world yesterday joined forces with

República Group, the Argen tine banking and investment concern, to take control of CEI Citicorp, the Argentine telecommunications, cable and media holding company. In the largest private equity deal ever done in Latin Amer ica, Hicks Muse said that with some of its limited partners it had agreed to invest \$700m of

equity capital to acquire 33 per cent of CEI. Hicks Muse is acquiring the abares from Citibank, the US bank, and Los W icantly reduce competition". It ment, I don't expect to be The airline's efficiency pro-SA, an investment group controlled by Argentina's Werth-

The deal gives Hicks Muse four seats on the board of CEI and means that, together with República, the private equity firm will have a leading position in the Argentine telecoms, cable and media industries. As approximately 36 per cent and will also have four board seats. Citibank will continue to own 20 per cent of CEI and approxi mately 5 per cent will be held

by Telefonica de Espana. Telefónica and CEI also control Telfónica de Argentina. the telephony provider in the

Since its formation in 1986, Hicks Muse has completed. or currently has pending, deals with a total capital value of approximately \$28bn. Hicks Muse has already invested or committed to invest more than \$1.2bn of equity capital in Latin America but the CEI deal is the largest non-US deal

Hicks Muse has announced. Thomas Hicks, chairman and chief executive of the private equity firm, said be viewed CEI as a unique investment opportunity and as a platform for further media and telecom investments in South America".

CEI was created by Citibank in 1987 as a vehicle to convert \$1bn of sovereign Argentine debt into equity. Through a acquired stakes in telecoms. gas and electricity utilities, and other privatised busi-

However, CEI has recently building up its Argentine media assets, steadily selling off its other interests. Last year it broke with its Argentine media partner Grupo Clarin, publisher of the world's biggest-selling Spanish language daily paper, to create a separate media holding. CEI controls Cablevision, the country's biggest cable television provider with an estimated 32 per cent market share.

said the US department of asked and I don't seek to be gramme, which aimed to

strong pound cut British Airways' annual pre-tax profits by A per cent to £580m last year. However, lower fuel prices and a cost-cutting programme helped limit the loss to less than the market had expected.

drop in fuel prices put the company in a "strong position" in the current year. He hoped regulators on both sides of the Atlantic would approve BA's planned partnership with American Airlines, in spite of chairman, said he expected Mr company held monthly meeta critical report from the US department of justice last week. The report said the planned alliance would "signif-

itors were granted 336 weekly take-off and landing slots at London's Heathrow airport. The airline has rejected similar proposals from Brussels, but Mr Ayling said he hoped regulators would come up with an acceptable set of conditions.

approve the alliance if compet-

tive, said the weakening of the alliance if it made commer-sterling and the continued cial sense, he added. accounted for a further £200m reduction in operating profits, Mr Ayling was on his way out, possibly to a job in UK prime minister Tony Blair's govern-ment. Sir Colin Marshall, BA

Ayling to be in the job a year from now. Mr Ayling said: "I haven't been asked to join the govern-

transportation should only asked." He did not have the "faintest idea" who was by the turn of the century, and spreading rumours. "If you do this kind of job you get sniped at." he added.

The reports of his possible departure followed his handling of last summer's threeday strike by cabin crew, BA's success in reducing salawhich cut operating profits by Robert Ayling, chief execu- BA would only go ahead with £125m. Sterling's strength The airline also moved yes- which fell 7.7 per cent to terday to scotch reports that £504m. Turnover rose 3.4 per

cent to £8.6bm. Mr Ayling said industrial relations had improved substantially since last year. The ings with trade union representatives. "We tell them as much about the company as we tell our managers," he said.

reduce annual costs by £1bn which sparked the cabin crew dispute, was already showing benefits. Although staff numbers rose 2.6 per cent to 61,000. total employee costs fell 1.6 per cent to £2.2bn. This reflected

ries for new recruits. The efficiency programme had so far achieved savings of \$250m. This would translate into 2700m of annual savings by 2000-2001. The company had plans for a further 2250m in savings.

In spite of the profits fall, BA increased the full-year dividend by 10.3 per cent to 16.6p. Fully diluted earnings per share were down 17.3 per cent to 42p.

El Niño wreaks havoc on fish meal industry

The 1997-98 season for the global fish meal and fish oil industries will go down as the El Niño weather phenomenon. Peru, the world's biggest fish

meal producer, recorded an

mehovy catch in April which was 91 per cent lower than a "There have been major losses and redundancies. The industry is extremely depressed," said Dr Stuart

Barlow, director general of the International Fishmeal and Oil Manufacturers Association The Chilean anchovy and

jack mackerel catch has been hit almost as much as Peru's. Both have suffered as a result of the unusually high temperature of the upper levels of the eastern Pacific ocean.

"The fish are there, but they have gone much deeper than normal, seeking cooler waters which are far below the reach of ships' nets. There is nothing to suggest that stocks are lower or that spawning has been interrupted," said Dr

Between 1991 and 1996 Peru's average annual fish meal production was 1.78m tonnes; this year, if the Peruvian government permits the resumption of fishing, which has been suspended for much of this year, total production might reach no more than 675,000 tonnes, according to

The association predicts that total world production of fish meal in 1998 will not exceed 4.5m tonnes, compared with 6.5m tonnes in 1996. Fish oil. another by-product of the specialised \$3.7bn global fish meal industry, is also suffering production is likely to be no

soared. One year ago, fish meal was quoted at \$550 a tonne in Hamburg; today the figure is \$680. Fish oil prices have risen from \$625 a tonne this time last year to \$740 a

The biggest burden of the higher prices is likely to be borne by China's fish and poultry farmers. In 1997 China imported nearly lm tonnes of fish meal, accounting for onethird of the world's trade.

Nissan posts loss of \$102m as sales cable and media industries. As part of the deal, Republica is lifting its stake in CEI to supervisinately 28 ner cent and

Nissan, Japan's second-largest carmaker, yesterday unveiled its fourth loss in five years because of sluggish sales in its

main markets. The results contrasted sharply with the record profits announced last week by Toyota and Honda which enjoyed buoyant demand over-

Net losses for the group totalled Y14bn (\$102m) compared with net profits of Y77.7bn previously, while sales were 1.4 per cent down at Y6,564.6bm.

Nissan said it aimed to break even this year in spite of continuing weak demand in its company forecasts lower sales of Y6.500bn but plans to improve profitability through a global restructuring programme that will slash staff and production and freeze investments outside Japan,

Kanemitsu Anraku, managing director in charge of finance and accounting, blamed the company's losses on the sharp downturn in the Japanese market, a write-down in the value of its vehicle stocks in the US and valuation losses on its securities hold-

ings.

The net losses came in spite of Y100bn in cost cuts and a Y35bn windfall as a result of

the yen's depreciation against the US dollar. The number of vehicles sold worldwide was down 5 per cent at 2.57m. Domestic sales were 14 per cent down on a

in the US after a disastrous marketing and car-leasing strategy combined with a lackhistre product range to leave it with a stockpile of unsold cars.

The company went heavily into the leasing market, only to be hit by a slide in used-car prices.

slash debts by Y1,000hn from Y2.500bn as part of a major restructuring. The company is also reducing the number of vehicle platforms it uses and reviewing its distribution net work. It has virtually benned corporate hospitality, especially in the procurement department. It will slash stocks by Y250bn and cut costs

As part of the restructuring announced last week, the com-pany has abandoned its target ket share in Japan, and aims to focus on profitability group profit-to-sales ratio of 5 per cent in the year to

• Isuzu Motor, the truck maker which is majority owned by General Motors, suffered a 37 per cent slide in group net profits to Y6bn. The fall in profits was blamed mainly on the economic downdemand for trucks has

Suzuki Motor, the smaller

car and motorcycle manufac-

turer, also saw profits fall

for the first time in four

Which investment partner is chosen by enterprising IT people



Thirteen years ago, investing in a small

four follow-on investments, has helped Computacenter's management use their entrepreneurial and technical capabilities to turn their start-up into a £ I billion a

year turnover company.

Today, we have realised £150 million for part of our shareholding, retaining 8.6% of what has become the largest venture backed company to go from start-up to IPO in the UK.



GERMANY

Commerzbank buys 30% of Korea Exchange Bank

Germany's Commerzbank has agreed to pay \$250m for a 30 per cent stake in Korea Exchange Bank, South Korea's largest in terms of assets. Commerzbank is the first foreign bank to take a significant stake in a Korean commercial

After the capital injection, the government will remain the largest single shareholder in KEB, which has been listed on the Seoul stock exchange since 1994. The German bank will be represented on KEB's supervisory and management boards.

Commerzbank said the deal, under discussion since last month, underlined its "conviction that Asia in general and South Korea in particular will show a positive development over the long term". Its stake is larger, and the price smaller, than was expected when talks were announced in

KEB was founded in 1967 as a state-owned foreign exchange and trade finance bank. It needed new capital to meet the Bank for International Settlements' capital equity ratio of 8 per cent by next month or face merger or closure under the terms of the International Monetary Fund's Kor-

Commerzbank already had a 27 per cent stake in Korean International Merchant Bank, in which KEB is the largest shareholder, and a representative office in Seoul. Contracts on the deal are due to be signed by the end of July. Clay Harris, Banking Correspondent

AUTOMOTIVE COMPONENTS

Visteon makes Polish buys

Visteon, Ford's automotive components manufacturing subsidiary, has bought Polmot Praszka and Zem, two lowcost Polish components producers, in the company's first acquisition since it was established as a separate operation last autumn.

Polmot Praszka, in central Poland, makes brakes, aluminium castings, suspension springs and oil and water pumps, while Zem, in the south west, produces glass systems. Both companies were bought from the state by Polmot, a private company specialising in the motor industry, three years ago. The value of the transaction was not

John Kill, Visteon's manager for Europe, said yesterday his company was still evaluating the future role of the two Polish plants. However, the aim of the move was to develop Visteon's market presence in central and eastern Europe. Poimot Praszka already delivers components to Ford, Flat and Daewoo. All have important manufacturing operations in Poland.

Visteon, which reported sales of \$17bn last year, owns the Alba works in Szekesfehervar in Hungary and Autopal in Nowy Jicin in the Czech Republic. Christopher Bobinski, Warsaw

netherlands

NCM doubles despite Asia

NCM, the Dutch export credit insurer in which Swiss Re is taking a majority stake, more than doubled net profits last year from Fl 14.2m to Fl 30.2m (\$15m). While the previous year was affected by reorganisation costs, the latest result came in spite of a FI 34m provision against risks in Asia.

Maarten Hulshoff, chairman, said risk assessment and control was becoming increasingly difficult as economies interlinked. The millennium problem and the arrival of the euro, as well as technological developments in industries such as food, added to the uncertainties.

NCM, which controls the UK's former Export Credit Guarantee Department, last year acquired EKR, its Danish counterpart. Gordon Cramb, Amsterdam

OERLIKON-BUEHRLE

Bally IPO planned

Oerlikon-Buehrle plans to make an initial public offering for its Bally unit this year, in spite of last year's rejection by the majority shareholder of attempts at a flotation by Ernst Thomke, former Bally chief executive. Mr Thomke last year resigned as chief executive after

his plans for a partial flotation of the luxury shoe company were rejected by the majority shareholder, Hortense Anda-Buehrle, the daughter of Oerlikon-Buehrle's founder. At Buehrle's annual shareholders' meeting, the Swiss-

based company also said it planned to focus largely on its technology activities - represented by its Balzers and Leybold division. Furthermore, the company said it planned to eventually float its property activities.

In spite of the flotation of Bally, IHAG Holding, which represents the Buehrle family, would keep its investment in Oerlikon-Buehrle, it said.

Oerlikon-Buehrle said IHAG Holding had 37 per cent of Its voting rights. Other institutions which vote in an IHAG pool hold 14 per cent, for a total voting majority of 51 per

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TAKEOVERS BANKING AND INSURANCE GROUP ASKS DIRECTORS FOR BACKING AND HINTS IT MIGHT TOP ABN AMRO COUNTER-OFFER

pelays to no poeing 737 Fortis urges Générale to support its bid

Fortis yesterday called on directors of Générale de Banque, Belgium's biggest bank, to recommend its takeover bid to shareholders and hinted it might still top Tuesday's counter-bid by ABN Amro of the Nether-

The Belgo-Dutch banking clear it was pressing ahead with takeover plans for Génerale in spite of the surprise higher bid from ABN Amro, and strongly defended its shareholders' meeting.

week's 7-for-3 share offer. occasions when Fortis could relax its rule that all acquisi-

enhance earnings. "We have always said we would not make an acquisition that would dilute earnings per share. But on occaand insurance group made sions when the opportunity is too good to be true, we could consider changing that," Mr Lippens said.

His message that Fortis was not withdrawing set offer during its annual the stage for Belgium's first takeover battle since Maurice Lippens, Fortis's Carlo De Benedetti's failed

meeting that there were Fortis offer came hours Fortis shares rose, Fortis's shareholders would not said. "In the ABN Amro before the board met to con- offer could end up worth sider both competing bids. more tions should immediately Jan Kalff, ABN Amro chairman, presented his plans to ordinary shares plus the board after meeting BFr9,000 (\$246) per Générale the board after meeting Jean-Luc Dehaene, Belgian prime minister, and Philippe

> Directors issued no opinion last night, but plan to make a statement after another meeting on Friday. Mr Lippens told Fortis shareholders that while ABN

Maystadt finance minister.

Amro's bid was 15 per cent higher than that of Fortis, Belgian chairman, also 1988 bid for Société Générale share price, price centre in Belgium, in a very opened the door to the posside Belgique - Générale movements on Tuesday had clear way, not as a division

Mr Lippens's call to Géner- cent. If ABN Amro shares He suggested after the ale's board to support the continued falling while

He added that Fortis's plan

"motor" of the group's banking activities. "Générale de Banque would be the mother bank of Fortis's banking group," Mr

Lippens said. "It would integrate all the other banking activities, based on Monday's closing with a decision-making

would make Générale the

ABN Amro is offering 19 which offer was best for the bank's future, and advise their shareholders. Mr anyone. That is Lippens received backing from Société Générale de Belgique, which has agreed to cade its 29.2 per cent stake in the bank to Fortis.

Viscount

"irresponsible" to prejudge the view of others, he still supported a Fortis-Générale

bid, Mr Lippens suggested

"We find the Fortis offer is

Etienne

Asked if Générale the bank," Mr Davignon simply choose the highest case, the bank would become a subsidiary of ABN Amro. the directors had to decide In the Fortis hypothesis, we would have a bank which

would not be a subsidiary of

fundamental difference." **Fortis** "sharpened" its 1998 results forecast, saying it now expected an increase of at least 10 per cent in net Davignon, SGB chairman, profits. That followed a said that while it wouldbe strong first-quarter performance, with net profits up 21 per cent to Ecu246m (\$273m).

Matif to

end open

trading

Matif, France's derivatives

exchange, said yesterday it would transfer all trading

exclusively to its electronic platform next Tuesday, just

six weeks after it introduced

The speed of the move,

which came after strong

pressure from market partic-

ipants, took some by sur-

Officials at Matif, Europe's

fourth largest exchange by

volume, said they had expec-

ted the transition period to

last much longer: the

exchange expected the "hybrid trading" system of

open outcry and screens to last for at least 12 months.

The transition took less

than 30 trading days, with

the proportion of contracts

traded on "open outcry"

down to about 1 per cent this

The move is likely to have

strong implications for the

screen-based trading.

By Edward Luce

French bank claims end to forced disposal

Crédit Lyonnais, the French domestic subsidiaries or operations in order to meet the terms of its new rescue indicated yesterday.

Disposals of assets worth decision by the European week - will probably largely take the form of a reduction the network in the bank's lending portfolio, Jean-Yves Durance, head of the domestic banking network,

the European Commission securitisation approved a plan for Crédit Lyonnais that may ultimately cost the French taxpayer up to FFr147bn, and which imposes new commercial penalties on the bank as well as an obligation that it be privatised by October next year at the latest.

that as a result of the plan, the bank will be required to cut the number of its agencies from 2,040 to 1,850 However, he said that the coming two years.

combined with existing negative publicity in financial services and oil back-office or corporate surrounding the bank over and develop a joint strategy offices.

By David White, Billian

Americal

services

Iberdrola, Spain's second

largest power group, plans

foreign investments worth

more than \$2.5bn over the next four years to build on

its recent moves into Latin

Javier Herrero, chief exec-

(\$997m) in Latin America.

global operator of energy in Colombia.

invested over Pta150bn Bolivia and Chile.

He said the bank had lost

state-owned bank, is than less than 30 per cent of unlikely to sell any of its the clients in the 200 agencies it had closed over the past three years. Mr Durance ruled out the

plan, a senior executive purchase by other banks of indicated yesterday. the Crédit Lyonnais branches targeted for FFr35bn (\$5.9bn) in France - closure, adding that he which were imposed in a periodically received phone calls from his competitors competition authorities last expressing interest in week - will probably largely bidding for some parts of He said that a cap on

lending growth imposed by Brussels would not provide a constraint for individual aid. clients, and that the OT partnerships with other financial institutions to ensure that it respected the

In spite of regular complaints by France's commercial banks about the competitive distortions of Durance said the retail groups, yesterday agreed an banking business was alliance that signals the Mr Durance confirmed return on equity of 15 per cent, and he had an

corporate clients.

some could be reclassified or He estimated that the be closed, continuing a last year, its domestic would like to purchase ise the EP relationship. process Credit Lyonnais and market share had begun to Sidanco, an oil company in "We view Sidanco as a fac- at the \$2.1bn starting price

partner in two regional

groups, it also took stakes

in two gas companies

supplying Rio de Janeiro, as

It previously established

Mr Herrero said the inter-

Rio Grande do Norte.

utive, said the group aimed supplying Rio de Janeiro, as to convert itself into "a well as in two gas companies

Iberdrola has already footholds in Argentina.

This includes Pta130hn last national investment drive share.

in Bahia state, and Cosern in group.



Lukoil, Oneximbank to develop joint strategy

By Chrystia Freeland in Moscow

Lukoil, the Russian oil group, and Oneximbank. one the mutualist sector, Mr of the leading financial currently generating a emergence of a new financial-industrial behamoth.

Although the agreement objective of 25 per cent in falls short of a merger or share swap, the two groups said they would co-operate

which Oneximbank owns a tor of strategic partnership for a 75 per cent stake.

year, mainly in Brazil, where swould involve about The group increased net it has become the industrial Ptal00bn a year until 2001, profits by 5 per cent last

with half the total coming

Its diversification arm,

its own investment pro-

He was outlining Iberdro-

la's plans ahead of its share-

day, at which it is proposing to raise its annual dividend

gramme, he said.

Iberdrola to invest over \$2.5bn abroad

power companies - Coelba from the Spanish parent

In alliance with Snain's with interests taking in tele-

Repsol and Gas Natural communications and aero-

controlling stake. However, with British Petroleum, and ing he would focus on cooperating with Oneximbank or now

The alliance could raise year formed a strategic partfield, the US off company.

offices.

the past five years had for defending their political However. Vladimir The government's highOther egencies – in towns cost it less than 5 per interests.

Other egencies – in towns cost it less than 5 per interests.

Vagit Alekperov, head of Oneximbenk, said the Lukofl with embarrassment on as quickly to the screens as outlet of the bank – would that since the middle of Lukofl, said last week he alliance would not jeopard.

Tuesday, when no bidders the other futures and

year to Ptal01.5bm in spite of

a 3 per cent cut in Spanish

agreed transition plan for

partly because of a sharp

increase in the compensa-

tion it had to pay to other

electricity companies for its

This compensation system

deregulation plan.

deregulating the sector.

yesterday he backed off, say- we are conducting all our negotiations in consultation with our partner," he said. The two pariners said they

would bid separately for Rosquestions for the foreign neft, the largest Russian oil allies of the two Russian company yet to be privegroups. Oneximbank lest tised. Oneximbank said it would consider bidding for nership with British Petro- Rosneft with BP, Lukoil said leum, which owns 10 per any bid would be as part of a cent of Sidanco; Lukoil has consortium with Gazprom, teamed with Atlantic Rich-field, the US off company. Royal Dutch/Shell.

offered to buy the company

First-quarter net profits

were more than 7 per cent

up at Pta34.5bn. Mr Herrero

said that Iberdrola, relying

nuclear power than other

Spanish generators, would

advantage of low fuel costs

and operating margins 27

per cent above the average

Iberdrola, formed by a

merger in 1991, had a 30 per

cent share of Spanish power

generation last year, and 39 per cent of electricity bil-

for the sector.

electricity prices, part of an more on hydroelectric and

London International Financial Futures and Options Exchange, which plans to move to a hybrid system within 12 months. Liffe, Europe's largest exchange, believes that

'open outcry" is still a supetain types of contract, especially futures and options on short-term interest rates. However, the volume of trading in the Matif future

options contracts. This suggests the market has opted lectrively for electronic trading on all types of contract.

Matif, which has a strategic alliance with Eurex, the product of a merger between the Deutsche Terminborse and Soffex, the German and Swiss derivatives exchanges. says its electronic system can cope with the complexities of trading on shorterterm contracts.

The system - known as NSC-VF - was pioneered by Operating profits were now be able to take full SBF, the French stock exchange that owns Matif. It is considered an improvesystems because it enables users to interface with other electronic systems.

Liffe is also developing an "open architecture" electronic system known as Liffe

Weement on \$1.4bn dea

toyal PTT Nederland NV with its registered office in Groningen, The Netherlands



Second 1997

Interim Dividend

With reference to the advertisement dated April 8, 1998 regarding payment of the second 1997 interin

dividend, the Board of Management of Royal PTT Nederland NV (KPN) hereby announces that the number of dividend rights entitling shareholders to one new ordinary share of NLG 10 par value has been set at 59.

NLG 112.90 on May 20, 1998, 1/59 represents a value of NLG 1.91. This is 4.32% less than NLG 2, the value of the second interim dividend

Based on the closing price of

Payment of the dividend in cash and delivery of shares in connection with stock dividend conversion will start May 25, 1998.

The Board of Management Groningen, May 20, 1998 ROBERT FLEMING CAPITAL LTD guaranteed by Robert Fleming & Co Ltd DEM 400.000,000,-

space, would from finance almost 26 per cent down,

holders' meeting on Satur- relatively low production

from Pta70.39 to Pta74 per has been stopped under the

Floating Rate Senior Notes of 1997/2002 • WKN 194 275 •

We are pleased to inform you that the interest rate of the above mentioned issue for the interest period from May 20th, 1998 (including) to August 20th, 1998 (excluding) (92 days) has been fixed on May 18th, 1998 by Morgan Stanley Bank AG, Frankfurt am Main, as interest determination bank at 3,68750% per annum. Therefore, the interest accrued for this period and payable on August 20th, 1998 will amount to DEM 9,42 per DEM 1,000 note.

Frankfurt am Main, May 18th, 1996 Morgan Stanley Bank AG

Notice of Redemption of the Notes TMC Mortgage Securities No. 5 PLC Mortgage Backed Floating Rate Notes due 2015

(the Notes)

NOTICE is hereby given that, in accordance with Condition 5(c) of the Terms and Conditions of the Notes, THC Mortgage Securities No. 5 PLC will redeem all culstanding Notes on June 30, 1998. The Notes will be redeemed at their Principal Amount Outstanding together with Interest accrued to June 30, 1998.

By Order of the Beauti of Stimelous May 28, 1996

TMC Mortgage Securities No. 1 PLC (A company incorporated with limited Exhibity of England and Wales) ortgage Backed Floating Rate Notes due 2014 -

NOTICE is hereby given that, in accordance with Condition 5(a) of the Terms and Conditions of the Notes. That Montage Securities.

No. 1 PLC will redeem all cusstanding Notes on June 30, 1998.
The Notes will be redeemed at their Principal Amount Outstanding logether with interest accrued to June 30, 1998.

ETBA Finance

CONONIC & PRIANCIAL SERVICES E.J. (for INVITATION FOR EXPRESSIONS OF INTEREST
IN PURCHASING THE ASSETS OF
"ELITE VILLAGE - TOURIST, COMMERCIAL, MARITIME,
CONSTRUCTION AND HOTEL S.A."

ETDA FINANCE ECONOMIC & FINANCIAL REPOYCES S.A., emblained in Athens (1 Eratosthenous St.), as special figuidator of "ELITE VILLAGE - TOURIST, COMMERCIAL, MARRITIME, CONSTRUCTION AND HOTEL S.A." which has been placed under special figuidation by Decision No. 175/1937 of the Natiphon Court of Appeal and within the framework of article 48s of Law 1882/1990, as supplemented by article 14 of Law 2000/1991 and its amendments

INVITES Interested perios to express their interest in purchasing the easets of "ELITE WILLAGE" - TOURIST, COMMERCIAL WARTING CONSTRUCTION AND HOTEL S.A." by submitting within twenty (20) days from loday, a written, non-binding expression of interest.

Summery date on the corporary under figuidation 'ELITE, VILLAGE - TOURIST, COMMERCIAL, MARITIME, CONSTRUCTION AND HOTEL SA, 'owns and russ the A Class ELITE VILLAGE hotel complex in the Verga district of Kalermate, situated on a plot of land 23,500 m² in gree with a capacity of about 172 begs.

Capacity or secont, 1/2 usus.

The hotel unit consists of a central building arranged for use as a conference centre and 13 bungatows. There are also two swimming pools, a children's playground, an open-air bar and roof-garden, an independent entertishment centre stc. A detailed description of the above is contained in the Offering Memorandum which is available to interested parties.

A detailed description of the above is contained in the Offering Mea Mich is a selection to be a second profile.

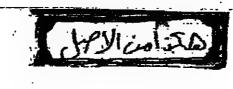
Date on the auction for the highest bidder An Othering Memorandum has been drafted by the liquidator with a detailed description of the total assets for sale and any other supplementary information that may be useful to the prospective buyer.

Prospective boyers, on signing a confidentiality agreement, may receive the Offening Memorandum from the offices of the Squidating company. They will also have access to any other information they may require and be able to visit the premises of the company under liquidation. The procedure for conducting the auction for the highest bidder will be published within the legal time limits and in the same newspapers in which the

For further information, interested parties may apply to ETBA PRIANCE S.A.

1 Enstosthenous 8 Vas. Constamting Streets, Athens 116 95, Greece, tel. (301) 7250210, 7250278 and fee: (301) 7250964.

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The State of Mark State States MUATION SERVICES thom to buy May & Spen

THE ENTERPRISES ENOVA

approves S6.6bn mergar

Delays to new Boeing 737

in Los Angeles

Airlines waiting for deliveries of Boeing's new version of the 737 commercial jet face delays at least for the rest of the year, the company said yesterday.

A recovery plan following severe production disruption is alightly ahead of schedule. but efforts to ramp up output of Boeing's most popular aircraft still represent the greatest risk to its success, according to Ron Woodard, head of the commercial jet

The group said it would know if it had the situation under control by next month, when it aims to move to the next stage of recovery and step up production further.

Unused capacity in former McDonnell Douglas factories in California had been pressed into service to help ease the pressure on plants around the group's headquarters in Seattle.

Two 737s were in the final stages of production at the Long Beach works, and a decision would be taken in the summer whether to shift some final assembly retrofitting.

work south. Mr Woodard

The company, which is doubling 737 production to 14 a month, had delivered 189 commercial jets of all types so far this year, and expected this to increase to 250 by the end of June and 550 for the full year.

By then, it aims to have raised 737 output to 21 a month, with monthly production of the 747 expected to increase from four to five. But Mr Woodard hinted that plans for the jumbo might yet be affected by the Asian economic crisis. No review was expected until mid-1999, but the company had detected some "downward" tendencies in demand.

Recovery from a production crunch last autumn, when labour and parts shortages created near-chaos in Boeing factories, has been dogged this year by demands from European and US aviation regulators for changes to the 737.

As a result of demands for the addition of extra emergency exits and the redesign of some components, the delivery of more than 50 737s was delayed by the need for

US credit card issuers braced for trouble as write-offs grow

Rising losses, harder competition and overcapacity have affected the direct marketing companies most of all, writes John Authors

o sector of US financial services has been more profoundly affected by last year's wave of mergers and acquisitions than the credit card industry. Since the beginning of 1997, four of the 10 largest credit card

issuers have changed hands. Once pending deals are completed, the biggest 10 issuers will account for 72 per cent of outstanding US credit card debt (or \$309.4bn). up from 64 per cent a year ago, while the biggest three have \$8 per cent, up from 30 per cent, according to the RAM Research Group.

But the forces driving consolidation for credit cards vary starkly from those driving the rest of the industry. While commercial and investment banks have taken advantage of almost perfect conditions to realign their industry, credit cards bave stumbled into trouble. Credit losses have

35 issuing companies, 4.36

per cent of credit card loans

increased, against the trend for all other categories of loan, spurred by the record rates of personal bankruptcy in the US. According to Salomon Smith Barney's composite of

were written off in the first quarter of 1996, but this rose to 5.96 per cent by the third quarter of last year. After a dip, the charge-off rate rose three months of this year.

Meanwhile, the industry has suffered from the effects of too much competition. Supply of credit cards now Issuers have been forced to make more generous offers. lowering interest rates and adding extra incentives such as air miles. This has eaten into their profit margins. Worst affected have been

keting and sophisticated statistical models to target spe-With no overheads from large branch networks, and cheap finance open to them by securitising their loans on the capital markets, these companies were able to

"mono-line" issuers.

which rose to dominate the

industry using direct mar-

undercut traditional banks. At the start of last year, specialists accounted for six of the 10 largest issuers. MBNA America, First USA. Household, AT&T Universal, Advanta and Capital One were all issuers without con-

US credit card outstanding debt The emerging top ten

	\$ba	% of market
Officery (including Travelers, AT&T Universel)	84.9	15
Bank One (not First Chicago HSC)	56.6	13
ARIKA America	445	10
Discores .	36.0	8
Chase Maskattes (sc! BoNY)	32.5	8
Methousthank (Incl BankAzrence)	19.5	5
Nometoki (inci Beneficali)	17.5	4
Floot Financial (Incl Adventa)	13.8	3
Capital One	. 13.5	8
American Express (Option poly)	. 105	2
Tep 3	168.9	, 38
Top 10	308.4	72
Industry Totals	· 421.6-	,

But many of the credit card accounts controlled by returned to conventional banks. Since January last year, First USA has been sold to Banc One, the Columbus-based regional bank which was keen to shore up its own weak credit card

business, for \$7.3bn. AT&T sold its credit card business to Citicorp for about \$4bn, while Advanta's lossmaking credit card portfolio was sold to Fleet Financial, the largest New England bank, for a premium of about \$500m.

Other reshuffles in the industry saw Banc One and First Chicago NBD, both conventional banks with a heavy commitment to credit cards, merge to become the Bank of New York quit the business by selling its card portfolio to Chase Manhattan. Household, one of the largest mono-lines, bought

finance company with interests in credit card and home equity loans, for \$8.3bn. Economies of scale are important in credit card

direct marketing rather than using local branch networks. But consolidation will also allow issuers to reduce the industry's capacity.

Overcapacity is evident from the falling response rate to the industry's blanket mailings of credit card solicitations. According to Salomon Smith Barney, customers' response rate to these mailings has fallen from a high of 2.8 per cent in 1992 to 1.3 per cent last year.

further problem is the A reduction in long-term demand for credit card debt. Gary Gordon, analyst at Paine Webber, said credit card debt would no longer rise faster than the level of overall consumer debt, suggesting this had happened in the past "because credit card issuers steadily widened the pool of consumers they were willing to lend to".

He added: "That growth opportunity has largely ended in the US because nearly everyone today gets Beneficial, a consumer solicited, including children, pets, portfolio managers and the recently bankrupt." He suggested the credit

card might be losing its status as the most popular form operations sold nationally by of short-term debt, in the

face of strong direct market ing from home equity lenders offering borrowers the chance to consolidate their debts at lower rates of interlow overheads, with marketing done via toll-free numbers, and television advertis ing normally fronted by former sports stars.

York-based specialist banking consultancy, pointed out that the mono-line issuers had suffered the greatest increases in bad debts. This might be because "the industry centre of gravity has

According to the consultancy, higher-income houseconsumer debt, while families earning less than \$25,000

a year have increased theirs. This shift has lowered average credit quality and, combined with other factors such as the liberalisation of the US bankruptcy code, nies' models awry.

But the consultancy makes clear the problem with the models is not a ties of the mono-line issuers are only a sign of the evolu-

Thyssen, CSN in Brazil move

hı São Paulo

CSN, Brazil's biggest steel group, and Thyssen Krupp Stahl of Germany, the world's third biggest, are to form a joint venture to make galvanised products for the motor industry to Brazil and the Mercosur countries.

The announcement follows the failure of the two to secure minority stakes in Acesita and CST, two other Brazilian stechnakers.

The stakes were bought on Monday by Usinor of France for R\$720m (US\$625m) in what was seen as a first step towards restructuring in the industry. CSN and Thyssen will

invest \$250m in the venture, known as GalvaSud, to begin annual capacity of 350,000

CSN will have 51 per cent of its capital, but the companies will have equal control of management.

CSN said the deal was part of a strategy to bring advanced technology to Brazil through partnerships

with foreign groups. The company said it was close to reaching agreement \$700m investment to build a

steel mill in the country's north east. It was also in talks with IMSA of Mexico on a cold

and galvanised steel unit. CSN appeared to put a brave face on its failure to secure the stakes in Acesita and CST, welcoming Usinor

Analysts say the arrival of the French group threatens the current dominance of the Brazilian market for intermediary and some speciality steel products by CSN and Usiminas, Brazil's second biggest steel company.

Usinor said it would press ahead with plans by CST to expand annual production of steel slabs from 3m to 4.5m value-added hot milled

Investment in Brazil's steel industry has been held back by its complex ownership structure and

lack of global operators. Holders of minority stakes in several steel companies, including pension funds and iron ore group CVRD, are understood to be preparing to dispose of their interests.

NEWS DIGEST

STEEL

Ispat, Inland reach final agreement on \$1.4bn deal lapat, the international steel producer, and Chicago-based

Inland Steel said yesterday they had reached definitive agreement on a \$1.43bn deal under which Ispat will acquire Inland's steel manufacturing operations. The transaction was first announced in outline form in March, with the two compa-nies saying they hoped to close the transaction in the third quarter of 1998. However, Robert Damail, inland chairman, said yesterday the final agreement contemplated closing the deal on June 30, assuming all remaining conditions are met. inland added that it planned to return a "significant portion" of the net proceeds from the sale of the manufacturing operations to shareholders by holding a tender offer to buy back its own shares. "The tender offer will take the form of a Dutch auction and should be completed about one month after the auction begins," it said. Once the tender offer is completed, inland will then merge its remaining assets into Ryerson Tull, its 87 per cent-owned metals distribution subsidiary which is already listed. Nikki Tait, Chicago

INFORMATION SERVICES

Acxiom to buy May & Speh

Actiom, the Arkansas-based data information and mailing list provider, yesterday confirmed it was acquiring Illinois' May & Speh, for about \$625m, in a share exchange deal. Like Acxiom, which has operations throughout the US and the UK, May & Speh specialises in providing direct marketing and information technology outsourcing - such as systems consulting, data warehouses design, and list processing. The deal is the latest in a series of consolidation moves in the databasa marketing services business. Nikki Tait

PACIFIC ENTERPRISES/ENOVA

distributor, Reuters, Washington

FERC approves \$6.6bn merger

The Federal Energy Regulatory Commission gave final

approval yesterday to the \$6.6bn merger of Pacific Enterprises and Enova Corp which will create the largest utility in the US in terms of customer accounts. Pacific Enterprises and Enova said they plan to begin operating as a new company. which will be known as Sempra Energy, by late summer. The merger still needs Securities and Exchange Commission approval. Enova is an energy management group providing electricity, gas and other products in the US and Mexico. Pacific Enterprises is an energy-services company, whose Southern Culifornia Gas unit is the nation's largest natural gas

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- In 1997, our income before tax, monetary adjustment and minority interest exceeded US\$1 bn.
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- Koç Group foundations and family contribute to the community; promoting healthcare, preserving cultural heritage and protecting the environment.
- We own 3 of Turkey's top 10 most recalled consumer brands.



KOC A part of Turkish life.

NEWS DIGEST

Swedish bank disposes of

ForeningsSparbankan, one of Sweden's leading commercial lenders, yesterday completed its withdrawal from real estate

SKr2.26bn (\$291m) to Kungsleden, a domestic real estate

eningsbanken, said it would reap a capital gain of about

The bank, created last year through the merger of Sparban-

ken Sverige - known internationally as Swedbank - with För-

property for SKr2.26bn

operations with the sale of 232 branch properties for

Kone, Toshiba unveil global alliance

Kone of Finland, one of the further cross-border world's largest elevator and escalator manufacturers, is forging a global alliance with Toshiha, the Jananese electrical equipment and electronics group, to exploit rising international demand for lifts and moving walk-

The Finnish company currently the largest producer of escalators and the iba's elevator and escalator world's number three in ele- arm are expected to chal-

that it could be followed by

alliances. "We believe global consolldation will happen and we want to be active in that situation," said Anssi Soila, president of Kone. "In addition to conventional acquisitions, you have to use innovative methods to join

Together, Kone and Toshvators - said the partnership lenge the market dominance

signalled growing consolida- of Otis of the US and Schin- fastest-growing markets.
tion in the sector and hinted dier of Switzerland, the Industry analysts yes world's two leading elevator producers.

The combined operation will produce about 30,000 elevators and escalators a year and boast annual sales of FM17bn (\$3.2bn), of which Kone would contribute

Mr Soila said the two companies would control 14 per cent of the world market, worth an estimated \$10bn a year. The partnership is initially expected to focus on

Industry analysts yester- access to its high-speed ele- linking all the main metro day suggested that the Aslan market, led by Japan, was motor drives. growing at about 10 per cent Toshiba is currently numa year, compared with more moderate growth of 5-7 per and Hitachi in the Japanese

market for such technology. cent in North America, and Some analysts predicted flat demand in Europe: "This is a natural step for that Toshiha could leapfrog Kone and could prove the its rivals by exploiting first step towards a merger Kone's so-called EcoDisc sysof their elevator operations," tem, which removes the need for a machine-room said one analyst. In the first stage of the

above elevator shafts. Kone is already installing alliance, Kone has agreed to license its new hoisting tech- 55 such elevator systems at Japan and China, two of the nology to Toshiba, while the stations on Tokyo's Line 12 activities.

Japanese company will offer subway, a new circular route lines in the city.

also set up working groups ber three behind Mitsubishi to seek cost-savings by reducing overlap in marketing, product development, purchasing and production. plans, however, for any cross-shareholdings.

Last year, Kone reported pre-tax profits of FM202m on its elevator and escalator

Sweden warns Assi on land

By The Back

AssiDomān, the Swedish paper and packaging group could be forced to sell some of its forestry assets to the Swedish state under a gov ernment scheme to repur chase forestry land.

The company, which was partially privatised by the last, Moderate-led government, was told yesterday it had received too much land as part of the privatisation. Anders Sundström, industry minister, said the previous government had made a mistake in giving some 3.4m hectares to AssiDomän shead of the sell-off.

Addressing a meeting of Sweden's national formers' union, the LRF, Mr Sundström said: "I want to partic ipate in making a sizeable part of the company's foresi land government property." AssiDomān said it would he seeking discussions with the government, which retains a 50.2 per cent stake

in the company. Government officials refused to disclose what action Mr Sundström might take if the company mounted a legal challenge. AssiDomän made clear yesterday it wanted to retain

forestry land in three core areas around its largest plants and sawmills in Sweden. But the company indicated it might be willing to dispose of other land. Mr Sundström said the amount of land inherited by

AssiDomän unfairly discrim

meted sesinst small, locally owned saw mills. company announced a 27 per cent increase in first-quarter profits from SKr360m to SKr456m. (\$59m) on sales of SKr5.7bm - compared with SKr4.8hm in the first three

months of 1997.

The two companies have

There are no current

SKr600m. The sale comprises 410,000 ac m of lettable space. with a total rental value of SKr330m. Officials said about onethird of the properties had been inherited from Foreningsbansales of FM12.3bn. Toshiba ken and the rest were existing Swedbank branches. did not break out profits for The bank stressed the sale did not mean it was closing branches, but would instead rent all its 1,000 branches. Greg McIver, Stockheim

INFORMATION TECHNOLOGY

financial year. Greg Molvor

REAL ESTATE

Icon Medialab plans listing

Icon Medialab International, a Swedish inform group, yesterday announced plans for a stock exchange list-ing expected to value it at about SKr420m (\$54m). The company said it would list via a placement on the unofficial SBI list in Stockholm and it was also studying a future Nasdaq listing. The company had turnover of SKr66m last

year, which is projected to rise to SKr200m in the current

INVESTOR

Marcus Wallenberg steps down

investor, the main investment vehicle of Sweden's Wallenberg business empire, said yesterday Marcus Wattenberg was standing down as chief financial officer to concentrate on other directorships.

Mr Wallenberg, a nephew of family patriarch Peter Wallenberg, will remain deputy chief executive of investor. He will be succeeded by Pia Rudengren, Investor's deputy chief financial officer. Tim Burt, Stockholm

PHARMACEUTICALS

Teva makes European buy

Teva, Israel's largest phermaceuticals company, yesterday stepped up its European expansion with the \$87m acquisition of Phermachemie Group, the production and marketing division for generic drugs of Netherlands-based OPG Group. Pharmachemie had sales of \$130m for the year ended in April. Judy Dempesy, Jerusalem

INSURANCE

Allianz reveals hidden reserves

Alflenz, Germany's biggest insurer, said yesterday its hidden reserves totalled DM87.7bn (\$49.5bn) at the end of last year. This is the first time the group has published such figures, which will make it easier for analysts and investors to calculate the company's net asset value and compare its share price with other European Insurers. Allianz also said the value of its capital investments was DM470bn. Christopher Adams

MAS to appease shareholders

which was primarily designed to ease the debt burden of Tajudin Ramli, MAS's executive chairmen and controlling shereholder. Shells Michaely, Singapore

Air France privatisation to be delayed

not take place until after the Jean-Cyril Spinetta, chair-

man, made the disclosure as FFr161m. the company yesterday gave further notice of its return to financial health by announcing its first full-year net state of convalescence. It profit for several years.

shares in the company in exchange for accepting pay measures designed to cut its FFr500m (\$84m). The proposals have triggered the threat of a strike by the main pilots' union which could disrupt services

in June, traditionally the

best month for the carrier's

31, the group reported net Air France, the French forma loss of FFr147m in national carrier, will now not take place until a carrier. attributable profits of per cent, from FFr55.6bn to FFr60.7bn. Operating profit

soared to FFr2.47bn, against

Mr Spinetta said that while the results were good, the company remained in a was unlikely that load fac-Mr Spinetta attributed the privatisation decision to the need for a law authorising just ended. Vigilance on proposals to offer pilots costs was still necessary, he

The group also confirmed it had placed a firm order for annual salary bill by 20 new medium-haul Airbus A320 range aircraft, with options for 20 more. It said the aircraft would replace its current fleet of 19 Boeing 787-200s by the spring of

The company said it had



significant impact on the results, but had reduced

practice. The changes had no fallen nearly FFr400m during last year, to FFr15.5hn. The partial privatisation,

methods to bring them into shareholders' funds by about which may involve up to 47 line with best international FFribs. It said not dobt had per cent of the company's

Germany surges ahead in venture capital management at Si, the Euro-From a total of Ecul.3bn that's what it should be, "

Germany overtook France as the most active private equity market in continental Europe last year, as inves-tors flocked into leveraged buy-out deals and took equity stakes in a growing number of start-up or young

for years, and now it finally has," said Paul Waller, chairman-elect of the European Venture Capital Association (EVCA) and director of fund said Mr Waller.

pean private equity group.

The mantra of shareholder value, which has spurred German conglomerates to restructure, has provided investments in buy-outs new fodder for the buy-out totalled Ecu476m, after Meanwhile, early-stage

been given considerable "It is what people have kets and the success of Gerbeen saying would happen many's new bourse for the previous year.

"The Neuer Markt has already given rise to some tremendous exit valuations,

Ecul5im the previous year.

In France, from a total of investing (money for start- Ecul.2hn, buy-outs sucked in warned: "We have had very ups plus seed capital) has equity capital of Ecu606m, strong support from governmore than twice 1996 levels, ment departments in this but early-stage investing area, which is good. But it is was Ecu90m, a small fall on

Germany is also now investing about twice as much in young companies as of the German economy,

was channelled into early- that people regard Germany stage German companies, up as very underdeveloped from Ecus5m in 1996. Equity across the board in private

But the sudden increase is not without drawbacks. Falk Strascheg, ECVA chairman, also causing problems because money has been given to some people who are not very competent."

Barly-stage investing the UK. "Relative to the size surged 60 per cent across Europe to Ecu718m. Total

new European investment (\$1.4hn) invested, Ecu200m said Mr Waller. "It's just across all categories of private equity rose 42 per cent

Returns from early-stage investors, which vary more between managers than for buy-outs, have improved significantly among the best funds, helping to spur interass in the area. Concerns about too much

in the buy-out field have also encouraged companies to look again at early-stage investing. Total new funds raised last year, mostly for to Ecu20bn.

restructuring proposal to ease hardships brought about by the economic crisis. Although no details were released it is aimed at appeasing shareholders angered by the first proposel, submitted in April,

CONTRACTS & TENDERS



In the name of God

INVITATION TO TENDER

National Iranian Oil Co. (NIOC), intends to implement through international tender, on the basis of a buy-back contract the project hereunder described, by companies whose technical & financial capabilities are recognized by NIOC.

The project consists of:

Construction of a 32 inch diameter & 392 kms pipeline and three associated pumping stations (with a total installed capacity of approx. 90,000 hp) including storage and blending facilities in Neka, and modifications in Tehran & Tabriz refineries for the transfer of the Central Asian Republics (Caspian Republics) crude oil via IR of Iran.

The project has to be financed during execution by the contractor under a buy-back contract. Repayment of the total amounts involved, together with the remuneration thereon, shall be made through the revenue generated from the swap contacts concluded between NIOC and the parties concerned, within five years as of the date of the project commissioning.

NIOC shall hold a seminar in London for presentation of the project on 4 June 1998 at-

NIOC House 4 Victoria Street London SW1H ONE

All reservations must be made in advance by fax to:

0171 340 5123

Tender documents will be available for purchase as from 8 - 18 June 1998.

Companies interested in this project may contact the following offices:-

NIOC House 4 Victoria Street London SW1H ONE Fax No. 0171 340 5123 Tel No. 0171 340 5122

NIOC Central Building Taleghani Ave Tehran, Iran 009821 646 7432 009821 646 4281

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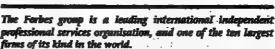
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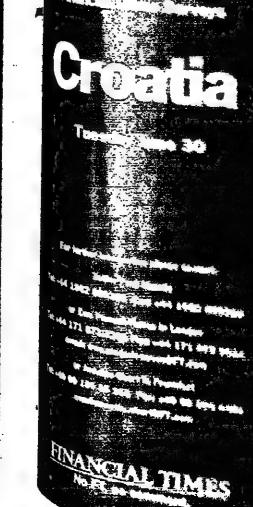


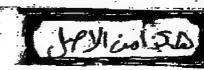
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JAPAN COUNTRY'S SIX LARGEST TRADING COMPANIES HAVE COMBINED RISK OF Y1,025.5bn AS ECONOMIC AND POLITICAL TROUBLES BEGIN TO TAKE TOLL

Trading groups reveal heavy Indonesian exposure

By Michiyo Nakamoto in Tokyo

Japan's six largest trading companies vesterday revealed the extent of their exposure to Indonesia. The groups have been among the most active supporters and biggest beneficiaries of Indonesian economic growth, but the current economic crisis has made them some of the biggest casualties.

The six companies' combined exposure in the country amounts to Y1,025.5bp at gross level. Including investments, loans and loan guarantees made either through the parent company, subsidiaries or special purpose companies.

A proportion of the exposure is covered by trade insurance. Excluding that, the net exposure to Indonesia alone comes to

Grove Hedged Met 193.2 28.9 184.3 2463 111.2 136.1 156.8 67.0 20.6 134,4 89,2 85,2 171.5 59.7 113.8 1475 228 1147

While most of the investindustrial and infrastructure projects such as power generation and chemical plants, which are not expected to collapse as a result of the economic turmoil, the level of their exposure means that all the trading companies

are likely to suffer to some trading groups' profits.

At the same time, their strong connections to the power network of Indonesian business could turn into a hability. This circle of influential people includes relatives and people with close links to former president Suharto who are now coming under the scrutiny of the new government, which aims to cleanse Indonesian business of nepotism and unfair

So far, the impact of the Indonesian crisis has been ments are in long-term more straightforward. Many of the trading companies' sinesses have been hit by the downturn in the domestic economy, which has undermined demand products such as petrochemicals. This on the put pressure

"The Asian turmoil is leading to weak materials markets world-wide." said a representative of Marubeni.

In addition, the currency devaluation will undermine profits from Indonesian operations. "If the currency is down by 80 per cent, then presumably their cash flow is 80 per cent down," says Matt Aizawa, industry analyst at Merrill Lynch in

He expects the trading companies to make provisions of Y15bn-Y30bn for the downturn in their Indonesian busine The impact of the economic downturn has also

frozen some projects altogether, "Plant exports have been halted and the Cliacap electric power plant has been frozen," says

be one of the largest energy projects ever undertaken in Indonesia. Mitsubishi won

the contract to arrange construction of the plant and played a central role in organising the \$700m financing. Expansion of the \$1.8bn

Chandra Asri petrochemical project, in which Marubeni has invested Y88bn, has also been halted. Itochu and Nissho Iwai, meanwhile, each have a 5 per cent stake in a \$3.1bn Tuban ethylene plant which has been frozen in midconstruction. Mitsui also has a significant investment in the \$2.5bn Paiton plant, an electric power plant in which it has a 32.5 per cent

Part of the problem is that the markets for the products produced by these plants are Mr Nakako says.

The Cilacap plant was to not likely to fulfil earlier

Perhans more worrying is the fact that many Japanese involved in such large-scale projects in partnership with which may not be able to live up to their

The degree to which companies may face further problems in their Indonesian businesses depends to a large extent on who they have tied up with, says Kota Nakako, industry analyst at UBS Global Research in

Marubeni's local partners together have a 75 per cent stake in Chandra Asri. "If these companies face difficulties, even if Marubeni is a minority investor, it will have to put up more funds,"

ment in Paiton is in partnership with Mission Energy of the US, which has 40 per cent, and General Electric of the US. with 12.5 per cent. The Indonesian electricity authority has 15 per cent. With such strong US partners, the pain can be more widely spread.

So while Japanese trading companies are all exposed to the uncertainty in Indonesia. there is a wide divergence in the degree of risk. The blue-chip companies

such as Mitsubishi, Mitsui and Sumitomo have been fairly cautious in their Indonesian operations, and are better able to weather any financial pressures stemming from the crisis. such as provisions.

ltochu, Marubeni and Nissho Iwai, however, are

In contrast, Mitsui's under greater pressure exposure to Indonesia and are not as financially

> "Nissho Iwai put a lot into Indonesia. They saw it as a way to propel the company into the top ranks of the industry, so they took significant risks," Nakako points out. Likewise for Itochu, which

> was badly knocked by its exposure to the property market during the bubble vears, involvement in the growing Indonesian market provided a way to regain some of its former

Until recently, Indonesia offered these companies a chance to catch up with the industry's upper tier. curse that is threatening to

Nissan gears up for better European integration

Unco-ordinated strategies in Spain and the UK failed to take advantage of economies of scale, reports Haig Simonian

san's reorganisation of its from Nissan's Spanish base convoluted manufacturing in Barcelona to oversee its activities in Europe comes British and Spanish integranot a moment too soon.

🗘 Steps down

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CHILL SERVE

Japan's second biggest carmaker builds vehicles in Spain and the UK, but, until poles apart. Only with a new generation of products, starting in 2000, will Nissan begin to reap the economies of scale that its size in Europe deserves.

The company's UK operations are much more military. coherent than those in Spain. Nissan was the first Japanese carmaker to manufacture in the UK. Last year. it built 128,354 Primeras and 148,430 Micras. From early 2000, a third UK-built range will slot in between the compact Micra and family-sized

Spanish operations were After the Patrol came the until recently as messy as a badly stirred-paella. The company builds everything from forklift trucks to lorries, with yans and sports slid into deep recession in utilities in between, in a the early 1990s. number of locations.

from Nissan's strategy in ing arms - and their prod- separated out. Spain - its first European started building vehicles in ded from a single to a two-productivity throughout UK and Spain much more ing to do", says Mr Gibson.

1983, according to lan Gib-model volume manufactur-Spanish manufacturing, but closely than before.

The new vehicles will, for

home and losses deep- he masterminded, Mr Gibson ening in the US, Nis- has since June 1997 worked

Based in Barcelona's Zona Francs, Nissan makes three types of car in Spain: the Terrano sports utility; the Serena, a multi-purpose vehicle (along with its commercial derivative, the Vanette): and a limited number of Patrols, a venerable but hardy sports utility much loved by the Spanish

The Patrol marked Nissan's manufacturing debut in Spain in 1983, when Motor Iberica, a private sector vehicle builder, wanted to diversify from light commercial vehicles, buses and forklift trucks, many sold under the Ebro brand.

"Co-operation grew project By contrast, Nissan's by project," says Mr Gibson. Vanette, Eventually, Nissan took full control as Motor Iberica got into difficulties when the Spanish economy

> Even then, however, its ucis - barely spoke to each

ith sales declining at fied with the UK operation volumes of a wide range of products.

> That disparity was reflected in sales and marketing. Nissan's UK distribu tor - then still independent - was most interested in volume cars, meaning the Spanish sports utilities barely made an impact. By contrast, retailers in much of continental Europe - where government limits often restricted Japanese sales preferred higher margin products, such as sports utilttles, to the UK-built cars.

> nly in the mid-1990s did Nissan start to think about simplifying its manufacturing in Europe. Bruised by poor earnings in Japan and the need to cut costs, attention belatedly focused on improved co-ordination in Europe. "My goal is to run this as one multisite, multi-product European business," says Mr Gibson.

One reason for the delay was that Nissan had still to sort out the complex structure inherited from Motor Iberica. In recent years, the truck, van and forklift activities have been hived off into subsidiaries, while sales and The complexity stems Spanish and UK manufactur- marketing have also been

	1997	96	96	94	93
Tomano B	49,315	41,227	B1,675	51,005	32,700
Suran	13,775	14,469	19,176	17,283	17,804
Variette Cargo	19,300	28,864	11/146	16	
Pairel ,	4,578	4,706	0,000	5,519	3,064
iumile · . ,		9	•	13,771	17,500
Speedich mysfast under	, 1997	. =		aduli nero Vi	1 (a)
Passager cars		34,498		3.4	+41.0
bel vehicles		11,254	-	20.A	+3.7
Light commercial with	cito	8,019		12.5	-12.4
Dillers		8,434		_	-
Folial		88,175		44	421.8

gradually been reduced from 80 per cent of capacity to 65 per cent as efforts have been made to improve productiv-Gibson. "The plant is now among the best in Europe. but it still needs more modem products."

Supplying them is the next stage of the reorganisation process. Nissan's new manufacturing strategy for

Although usually identi- ist, building relatively small ity utilisation remains poor, give you the economies of nents. More than 60 per cent of the HM platform. And the dyke."

the break-even point has scale that make it all me viable," he says.

Central to the process will be the HS, the new platform (basic engineering structure) ity and cut waste, says Mr for Nissan's new mid-sized car to be built in the UK. The new model, replacing the Japanese-built Almera,

will also form the basis for the HM, a small multipurpose vehicle to be made in Barcelona from mid-2000. Moving to common plat-Europe, not expected to be forms in Spain and the UK Spanish built vehicles, Simiaffected by the group's latest will be "the tool allowing us larly, transmissions for the

son, Nissan's manufacturing ing operation, Nissan's Span- particularly at the Zona "This is a 450,000-unit-a- example, have a large proheud in Europe. "This is a 450,000-unit-a- example, have a large proheud in Europe.



of parts will be shared, he says. That will allow Nissan to negotiate lower prices from its suppliers in return

for bigger orders. There will also be advan-

new yans should follow from hoth platforms. The changes should allow

Nissan to improve the profitability of its European operations drastically in the tages, internally: Nissan's years ahead. But they also beg the question of why make diesels for the UK and such measures were not taken years ago.

Mr Gibson recalls the The other priority has round of cutbacks in Japan, to achieve the benefits of new generation models will 1992-95 recession and Nisbridgehead - where it other. While the UK expan- been to improve quality and involves co-ordinating the everything we've been try- he sourced from Barcelona. san's own financial difficul-At a later stage, Barcelona ties in Japan in those years. The new vehicles will, for is expected to build a larger "You don't start to think of multi-purpose vehicle, proba- building edifices, you start bly off an expanded version to think of fingers to put in

Toyota to open car theme park

by Button in Tokyo

Tovota, the Japanese carmaker, yesterday became the latest entrant to Japan's crowded theme park market, with the announcement it would invest Y15bn (\$109m) in a car theme park on the Tokyo waterfront, to open next year.

Toyota hopes to attract 3m visitors a year to the park. which will feature displays and rides relating to cars of the past, present and future. The development will be part of a shopping and leisure complex being built by a consortium of trading and construction companies at a cost of about Y50bn.

The Japanese have been enthusiastic visitors to theme parks over the past decade, but Toyota will face competition from a growing list of other attractions in planning or under construction, at a time when the number of visitors to Japan's theme parks is falling.

Tokyo Disneyland drew 16.7m visitors last vear. a 3.9 per cent fall on the previous year, while Huis Ten Bosch. a Holland-themed park near Nagasaki, attracted 4.1m visitors, a fall of 2.9 per cent. Bad weather was blamed

for the declines, as well as the depressed economy. There are also signs of a shift to lower-priced, more informal leisure activities.

However, the rush to build new attractions continues. Other big openings include a Universal Studios movie park in Osaka, opening in 2001 at a cost of more than Y170bn which expects 8m visitors a year. Tezuka Osamu World, a park based on classic Japanese cartoon characters, should open in 2003 on reclaimed land by Tokyo Bay. The park will cost Y300bn to build and

expects 10m visitors a year. Tokyo Disnevland is also expanding, with Tokyo DisneySea, an ocean-themed attraction to open next to Disneyland in 2001, seeking ates 38 branches of Tops directly compete in the Thai 10m visitors a year and costing more than Y330bn.

Suharto son to retain Lamborghini stake Ahold expected to Mr Mandala Putra ever, Mr Mandala Putra's

By three Robinson in Jakarta and Haig Simonian in London

The youngest son of Indonesia's former president Suharto yesterday dismissed reports he may sell his 60 per cent stake in Lamborghini, the Italian sports car ing and expand Lambor- ble link with Lamborghini maker, to Volkswagen of ghini's role in his own auto- has also been affected by the

The two sides have discussed a link between Audi, VW's executive cars subsidiary, and Lamborghini. The talks are believed to have ranged from supplying Audi V8 engines to a full take-

the Lamborghini stake, but that Mr Mandala Putra (\$704m) bid will be approved. intended to retain his holdwant Lamborghini to be the

flagship of our automobile business," he said. luxury car brands to its Putra holds 60 per cent of product portfolio. However, its attitude to Lamborghini of Malaysia owns 40 per

Mochamad Ircham, a its success in winning spokesman for Hutomo Rolls-Royce Motor Cars, the "Tommy" Mandala Putra, UK super luxury car group said some parties had which has been put on sale. expressed interest in buying VW should discover next week whether its £430m

The timing for any possimotive business. "In fact, we economic turmoil in Indonesia. VW may still be uncertain about the ultimate aims of Lamborghini's Asian VW wants to add some shareholders. Mr Mandala

emberked in 1996 on plans spokesman said the Timor for an Indonesian national car, the Timor. The project spite of Mr Suharto's resigquickly drew criticism at nation last week. home and abroad after the government granted exemptions from import duty and tex. Japan, the US and the European Union attacked

Timors about 60 per cent cars in Indonesia.

project would continue, in

The resignation has fuelled calls for the termination of privileges and exclusive government contracts bestowed on Mr Suharto's the concessions, which made family and friends.

Mr Mandala Putra through cheaper than similar-sized his Bimantara Group owns or has a majority stake in The tax and tariff conces- about 50 companies ranging sions were abolished in Jan- from automotive, chemicals nary under the reforms and media to telecommuniagreed with the International Monetary Fund. How-

buy out Thai partner

By Ted Bambacke in Bangkok

Abold, the Netherlandsexpected to agree to buy out said Mark Chong, an Ahold its joint venture partner in Central Retail of Thailand, a

supermarket operator. Group, will when repaid give the Thai company an option to take 50 per cent of the joint venture, which oper-Supermarkets.

"Given regulations and local sentiment right now. we thought this structure based supermarket group, is would be more acceptable."

spokesman in Singapore. The Ahold deal follows the purchase earlier this month The deal, which is an by Tesco of the UK of a coneight-year loan by Ahold to trolling stake in the Lotus the local partner, Central hypermarket chain from Thailand's sprawling and financially distressed CP Group.

Tops and Lotus do not market.



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DAIMLERBENZ

Dividend Announcement

Our 102nd Shareholders' Meeting resolved on 27. May 1998 to pay on each ordinary share of 5 DM par value a dividend of 1.60 DM and a special distribution of 20 DM from the unappropriated profit of 11,162 million DM for the 1997 financial year.

In the United Kingdom, the Deutsche Bank AG London will pay the dividend on 28. May 1998 and the special distribution on 15. June 1998 after deduction of 25% German capital yields tax and 5.5% solidarity surcharge on capital yields tax against submittal of dividend coupon No.65 for the dividend and dividend coupon No. 66 for the special

Under the conditions provided by the U.K. Double Taxation Agreement of 26. November 1964 as amended by the Protocol of 23. March 1970, the German capital yields The Board of Management

tax will be reduced to 15% and the solidarity surcharge on capital yields tax will be rescinded for shareholders resident in the United Kingdom. To claim the refund, shareholders are required to submit an application for refund by 31. December 2002 at the latest. This application is to be addressed to the Bundesamt für Finanzen, Friedhofstrasse 1, D-53225 Bonn.

Payment in the United Kingdom will be made in Pounds Sterling converted from Deutsche Mark at the exchange rate prevailing on the date that the dividend and the special distribution payment is made.

Stuttgart-Möhringen, 28, May 1998 Daimler-Benz Aktiengesellschaft

TELECOMMUNICATIONS GROUP CLAIMS TO BE FIRST TO OFFER 'VIRTUAL PRIVATE DATA NETWORKING' BASED ON INTERNET TECHNOLOGY

Energis unveils cost-cutting service

the telecommunications com- to be built into the network pany, said yesterday it itself and controlled by the would be the first to offer network operator. business customers an advanced service which customers with digital voice network management costs.

Called "virtual private data networking", the ser- ment on their premises.

which enable much of the fibre optic lines wrapped tions and data networking. equipment which customers UK use to manage their network

could sharply reduce their and data communications based on internet technology without the need for equip-Energis, which sells to

round the cables of the work director, said the group The service will provide

was leading the race to virtual data networking because of development partnerships it has signed with Northern Telecom and Newbridge Networks, Canadian based companies which are

He said Energis would pro-National Grid, which has a vide virtual data networking majority stake in the group. in the third quarter of this Chris Burke, Energis net- year, although he did not expect customers to take the until 1989.

Energis also announced results for the year to March from higher margin, 31 slightly ahead of market advanced services grew 82 expectations. The company, per cent. The company had which floated last December, leaders in telecommunica- lifted turnover 78 per cent to with holiday group Going phone company.

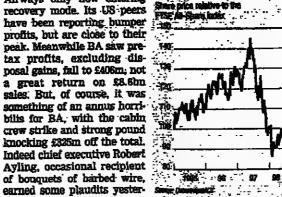
before interest, tax, depreciation and amortisation were install a new telecoms sys-£16.1m (£14.3m losses). The tem for the National Grid, gross profit margin before extending the network by a network depreciation almost further 1,450km. service in large numbers doubled from 17.7 to 33.9 per cent. Mike Grabiner, chief executive, said revenues

Ernst & Young. It is also to

Mr Grabiner said Energis intended to apply for a "third generation" mobile phone licence when the necessary radio spectrum was auctioned next year to create signed networking contracts a combined fixed and mobile

COMMENT British Airways

It is strange to see British Sidds Aliverys Airways only now entering recovery mode. Its US peers have been reporting bumper profits, but are close to their peak. Meanwhile BA saw pretax profits, excluding disposal gains, fall to £406m; not a great return on £8.6bm sales. But, of course, it was something of an annus horribilis for BA, with the cabin crew strike and strong pound knocking £325m off the total.



atinent suffe

day for his cost-cutting drive. This year the negatives should turn positive and there is another £250m of savings to come. With economic recovery in Europe kicking in, revenues should pick up speed: RA is going for growth with a 12 per cent capacity increase. All this should secure a profits rebound to £650m.£700m, an implied price/earnings ratio of about 11. After a dismal performance in 1997, the shares should build on their recent tentative recovery.

But while a re-rating looks in order on the back of the cost reform, the discount is unlikely to disappear. Cyclicality, heavy capital spending demands and a wearisome stream of pluses and minuses detract from the earnings quality. BA must hope that its alliance with American Airlines is approved in time to cushion profits against the next downturn. That alliance should also provide a good vehicle for expansion in Asia, notably via the Japanese airline JAL. Meanwhile BA should seize opportunities to form links with sizeable, but temporarily discomfited, south-east Asian carri-

Creeping control

The minority shareholders in Astec, who felt oppressed by its controlling shareholder Emerson Electric, have not suffered in vain. The "creeper" provision which allows 30-50 per cent stakeholders to sneak control is heading for a Takeover Panel review, which should see it abolished. There is no logic in making an exception to the 30 per cent trigger for launching a full bid. The tiny loss of opportunity to sell an Hiquid stock is easily offset by the advantage of stamping on back-door control. The irony is that this change would not have solved the Astec problem since, for technical res-

Powerscreen's problems go beyond Matbro

Powerscreen International, the troubled Northern Irish engineer, vesterday acknowledged for the first time it expected results for the year to March 1998 to be hit by further problems going trading losses between Janu-beyond its former Matbro ary and its sale in April to

ing statement, that there were problems at Powerscreen's Brown Lenox and Royer subsidiaries goes against statements made by the company since it announced a £46.6m provision for accounting problems at Matbro in January.

Powerscreen's shares fell 23p - 17 per cent - to 110%p. Analysts said they would have fallen further had they not been hit on Tuesday by a Matbro responsible for the large sale. They were 613p before January's warning.

after meeting its auditors, it accounting policies on a now expected pre-tax losses for the year to March 1998 to total 265m (\$109m), a huge intended to dispose of busiincrease on the £10m pre-tax nesses outside its profitable loss predicted in January. core of stone crushing and The loss is particularly sharp compared with the £40m-£50m pre-tax profit analysts were expecting

forced to go back on its previous insistence that losses caused by accounting mai- bills of exchange.

the year to March 1998. The company said about £20m of the losses for the past year would be for losses accumulated in previous years.

further £8m for Matbro's ary and its sale in April to John Deere of the US. There will also be a £4m provision for professional fees on the investigation into Mathro. which made tractors.

More surprising, however, were provisions of £11.5m for the write-off of assets, mainly at Brown Lenox and Royer, which make stone crushing equipment. Brown Lenox is thought to be responsible for about half the £20m of hidden losses from previous years, with other half. The year's results will also be hit by a £14m Powerscreen said that, provision for putting

screening equipment.

The company said the Matbro losses were a result of mispricing of machines, unauthorised discounts offered to customers and inaccurate and misleading recording and discounting of

Thorn proposes divestments

that includes Radio Rentals, has announced plans to divest itself of all but its core UK operations in an effort to realise its full value. The proposed sell-offs are the result of a strategic review, announced last October, which concluded there was a gap between the market valuation of the company and the likely valuation of the businesses at sell-off. Thorn will return

Thorn, the rentals group

The announcements came with Thorn's full-year results and as the company appeared to dampen hopes that continuing takeover talks with a mystery bidder, widely believed to be David and Frederick Barclay, the hotel and newspaper owners,

the cash to shareholders.

would lead to an offer. The UK businesses which will remain after the sell-offs were responsible for only 34 per cent of Thorn's turnover last year. The plan to sell the businesses in North and about 220p a share, or £933m

legal action, had already been announced. These accounted for 45 per cent of turnover in the year to March 31. Steven Marshall, chief

executive, indicated that other businesses to be sold could include Thorn's Scandinavian operations, which accounted for 11 per cent of Pacific, with 5 per cent. The company also announced it would withdraw from a number of activities, including the rent-

ing of personal computers in

the UK and of furniture in Scandinavia, while trials of credit sale stores in the US Some analysts were uncer

tain how to value the UK and American businesses The UK business lost ground quickly over the past year, while the US business is facing expensive litigation, mainly over its rent-to-own analyst priced the group at



(\$1.56bn), compared with a exceptional charges. current market capitalisa-

Provisions were made for store closures, restructuring, property losses, write-downs of rental assets, year 2000 £1.29bn (£1.39bn). Operating costs and a new £5.7m proviprofits of £86.2m (£134m) sion against loss of a were reduced by £39.6m of case in the US.

EMI chief dismisses speculation about bid talks

Sir Colin Southgate, EMI's chairman, yesterday said he had received no further approaches from prospective predators since breaking off takeover talks with Seagram, the Canadian group which last week clinched a \$10.6bn deal to buy Poly-

going on whatsoever," he said. "We're getting on with running the business."

Str Colin hoped Seagram's decision to buy PolyGram would squash long-running speculation of a bid for EML, which owns the world's largest music publisher as well as the record companies behind Garth Brooks,

"There's no conversation Radiohead, The Verve and attract a bid from a US lever- EMI reported a fall in profits improvement in the compa the Spice Girls.

tion of about £863m.

Thorn made pre-tax profits

of £89.6m (£103m) on sales of

as if we were up for sale," he said. "We did have a number of conversations with Seagram, but nothing was ever

Sir Colin dismissed speculation that RMI might

didn't add up. One of them buy PolyGram because

synergistic benefits."

aged buy-out fund, arguing before tax and exceptionals ny's performance this year, the strong pound, the ecocalled me. They just couldn't nomic downturn in Asia, could comfortably combine do it. Seagram was able to and higher interest paythere's \$250m to \$300m of a month ago after Seagram's House, with his EMI duties. approach, fell 12p to 520p. His comments came as . Sir Colin expects to see an Lax, Page 14

"It was very unsettling for people in the company to sive. "The funds looked at year to March 31, against. Asia and further financial hear us being talked about PolyGram, but the figures \$280.5m, having been hit by benefits from its US restructhis new responsibilities as

At the General Meeting of Shareholders of Fortis AMEV held on 27 May 1998 it was decided to set the dividend for the financial year 1997 at NLG 2.28 per ordinary share with a nominal value of NLG 1.00. Of this amount, NLG 0.80 has already been paid out as an interim dividend, so the final dividend amounts to NLG 1.48.

Final dividend 1997.

The final dividend will be made available in the form of a dividend with stock option, which shareholders and holders of depositary receipts for shares may, at their option, take either wholly in cash or wholly in the form of shares (or depositery receipts for shares, as appropriate) to be charged to the tax-exempt share premium reserve or to the profit on the financial year. The number of dividend rights will be determined in such a way that the value of the dividend rights, if dividend in (depositary receipts for) shares is opted for, will if possible be equal to, but rigons, it dividend in temperatury accepts on, and dividend in cash.

Stock dividend option

Shareholders and holders of depositary receipts for shares may taske their decision known from 28 May 1998 until the closing of the AEX Stock Exchange on 12 June 1998, whether they opt for dividend in cash (net of 25% dividend withholding mix) or in (depository rearipss for) shares. On 15 June 1998, we will announce the number of dividend rights giving an emblement to one new (depositury receipt for) share, this being based upon the closing price of the depositary receipts for shares on the AEX Stock Exchange on 12 June 1998. The new (depositary receipts for) shares provide entitlement to dividend for the financial year 1998 and subsequent years. Dividend rights will not be traded on the AEX Stock Exchange.

The timetable is as follows: 27 May 1998 28 May 1998 28 May to 12 June 1998

General Meeting of Shareholders

(before close of trading) 12 June 1998 (after close) Ex-dividend date for the depositary receipt for share

Determination of exchange ratio Dividend made payable in cash and delivery of the new (depositary receipts for) shares

Holders of depositary receipts for shares are requested, also on behalf of the Stichting Administratiokantour van aandelen Fortis AMEV, to give notice of their choice, via their bank or broker, to N.V. Nederlandsch Administratie- en Trustkantoor in Amsterdam. Holders of depositary receipts for shares who opt for payment of the dividend in (depositary receipts for) shares should simultaneously have their dividend rights credited to CF-custodian code 3.252, in the name of N.V. Nederlandsch Administratie- en Trustlantoor, Herengracht 420, 1017 BZ Amsterdam. Should holders of depositury receipts fail to give notice of their choice to their bank or broker in good time, the bank or broker will generally make a choice on their behalf. The equivalent value of the unregistered dividend rights at the close of trading of the AEX Stock Exchange on 12 June 1998 will be sold on the Exchange and the ensuing proceeds will be retained for the dividend rights which have not yet been surrendered.

The dividend in cash, not of 25% dividend withholding tax, is payable with effect from 18 June 1998 at the head offices of the following banks: VSB Bank N.V. KBW Wesselius Effectenbank N.V.

Generale Bank Nederland N.V. ABN AMRO Bank N.V. Rabobank Nederland ING Bank N.V. in Amsterdam, Rotterdam and Utrecht, insofar as they are established there.

Burelays Bank PLC, 8 Angel Court, Throgmorton Street, London EC2R 7HT, Fortis Bank Luxembourg, at the head office in Luxembourg.

When the dividend rights are exchanged, commission will be paid to the institutions affiliated to the AEX-Effectenbeurs my in accordance with circular 90-56 of the AEX-Effectenbeurs my in order that the exchange in question can be effected free of charge for the holders.

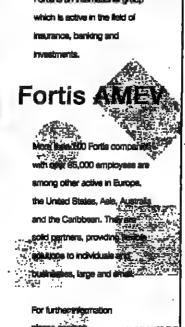
Utrecht, 28 May 1998

Archimedeshan 6

3584 BA Utrecht

Fortis AMEV nv On behalf of the Executive Board, J.L.M. Bartelds

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Solid partners, flexible solutions

Scandinavian side L&G withdraws hits Airtours

sharply yesterday after the UK-based tour operator in the region. announced interim losses had almost doubled because of difficulties in its Scandinavian Leisure Group arm.

A first-half loss is expected reduce capacity. in this highly seasonal industry which does most of its business in the summer months. But Airtours' pretax loss for the six months to improved results in the UK nian operations. and Canada - taking the

shares down 35p to 486%p. The group said operating difficulties in SLG's Premiair charter airline had knocked ESm off profits - in compensation for passengers and the cost of switching to a five companies in a single prudential and Norwich tional gain of £316m. Its new service company. Mar-operation based in Toronto.

Scandinavia by reduced summer and excess

David Crossland, chairman, said he expected these to be one-off events, with action in the industry to

Turnover for the half year had increased 27 per cent to 21.04bn, helped by the incluaion of the Sun International European businesses in Jan-March 31 rose from £12.7m to uary and a full six months of 223.2m (\$38.7m) despite trading in two new Califor-

> Britain's second-largest fell from £10.1m to £7.2m. back-office operations of its

The interim loss on the UK tour operating subsidiary -In North America, Air-

from Australia

withdrew from Australia's life assurance market, sell-A\$892m (\$600m). The group al & Sun Alliance, the UKsaid it would use the proceeds to underpin its rapid

growth in the UK. The deal will make Coloassets under management

groups Westpac and ANZ. foreign competitors like the

Shares in Airtours fell demand at the end of last Legal & General yesterday In March Norwich Union land life market, selling its ing its subsidiary there to life and asset management locally-based Colonial for business there to Roy-

based insurer, for NZ\$153.5m

(\$83.5m). The price paid for L&G Australia represented 1.9 nial, which has A\$53bn in times its year-end "ambedworldwide, Australia's third future profits from existing largest life assurer by pre- business. Analysis said this mium income after Austra- was consistent with the high lian Mutual Provident and values placed on other life National Mutual. It beat off assurers. Colonial expects competition from banking cost savings of A\$50m from combining L&G's business Consolidation in Australia with its own. It plans a has accelerated and domes- 1-for-5 rights issue and a platours is rationalising the tic insurers are jostling with cing to fund the acquisition. L&G will record an excep-

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Butter.

RESULTS

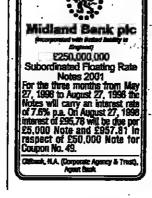
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Airtours 6 miles to Mar 31	1,038	(818.4)	23.2L	(12.7L)	4.31	(2.73L)	1.5	July 1	1.38"		6.66*
Allders 6 miles to Mar 31	287.7	(267.6)	16.9	(16).	. 14.8	(15]	3.4.	Aug 6	3	-	. 8
Rogileo Water	850.1	(837.1)	274.2	(208 4)	41.7†\$.	(68.6)	27.5	July 31	24.3	39	. 34.5
888 Design: 8 mins to Dec 31##	0.563	(0.967)	0.009	(0.059L)	0.11	(0.71L)	125	-	h.	. nl.	. ŋ₫
Birchin ϕ 6 mithe to Nur 31	2.93	(D.186)	0.282	(0.293L)	0.05†	(0.24L)			-		
Streetingham City 🌣 û infre to Peti 25	6,72	(4.59)	2.621	(2.68)	-	(-)	- 1	-		-	-
British Airways Yr to Mar 31	8,642	(8,359)	580♥	(640 \)	44.7	(55.7)	11,9	Judy 31	70.0	16.6	(5.05
Prockbampion Yr to Mar 31	28.1	(27.7)	7.95	(8.69)	12.3‡	(11.6)	3.2	Aug 13	2.75	4.8	4
Trailines	24.1	(22.9)	0.83	(0,448)	29.	(1.5)	1	Aug 10	1	•	. 3
Donegai Cream 🏺	50.8	(45.8)	2.5	(2.16)	25.2	(20.9)			-	· •	
Holes	137,2	(75.5)	18.54	(6.83LV)	64.1†	(59.5L)			-	-	1-
**Yr to Mar 31 ☆	3,309	(3,390)	365.1♥	(283.94)	28.21	(13.45)	、11.7 5大	Oct 2 7	·· =119-	16景 ・	155
Energis Yr to Mar 31	167.1	(97.1)	621.	(77.BL)	- 28L.	(31L)	-	.=			-
REMARK Hotil \$ Yr to Dec 31		(-)	1.31L	(5.17L)	1.44L	(6.15L)	1 1				-
riends IBS 42 wks to Feb 17 SS	15.0	(20.5)	3.394	(6.89)	5.43 .	(14.4)	ndi '		° 6.15	5.89	9
lolus Levris Hespeer© il mahs in Pub. lat	1.36	(1.02)	£162€	(0.176)	180.0	Ø.12 1		-'	4	-	0.106
awrie 4 Yr to Dec 31	232 5	(210.9)	26.4♥	(14.4¥)	699.23	(338.07)	79大	· July 8	. 74	· 98	93
krononde Milating 🗸 9 miles to Mar 31	-	(-)	0.008	(0.011)	0.02	(0.04)				-	-
Thorn Yr to Mer 31	1,358	(1,560)	69.64	(102.9 4)	8.5‡	(9.7)	9.0	Oct 2	10.6	13.3	13.5
nvestment Trusts	n.e	f (p)	. Carrie	Halinda Has (Elm)	594	· (a)	Current _ payment (p)	Date of company.	Corresponding dividend	Total for year	Total lesi yeer
							hada-aya da	p=j.man .	- ' -	-,	
Three Income	123.93 475.7	(122.68) (325)	1.95L 5.72	(2.1L J (4.53)	1.04L 20.25	(1,12L) (16.23)	4.0	July 31	4.3	17.8	nă 16.8

SRestated. Aftereign Income dividend. ##Comparatives for 12 miles to April 30 1997. #Irish currency. SSComparatives for 12 miles to April 30. SUS currency.

THE ROYAL BANK OF CANADA U.S.\$350,000,000 Floating Rate Debentures due 2005

n accordance with the Terms and Interest rate for the period 29th May, 1958 to 30th June, 1998 has been fixed at 5%% per annum. On 30th June, 1998 interest of U.S.\$5,111111 per U.S.\$1,000 nominal amount of the Debentures will be due for payment. The rate of interest 29th June, 1998. Agent Benkand

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Continent suffers sharp falls

EUROPEAN OVERVIEW By Simon Davies, Capital Markets Editor

Pan-European stockmarkets came under attack from all markets in Asia and Eastern

The Ebloc 100 index, which

d talks

hdrans

tralia

the future euro zone, fell 2.78 line of attack would have the Asian slowdown is no

tronts yesterday. Overnight weakness on Wall Street combined with collapsing push yields much lower.

Hended mostly unchanged, and analysts said it would take an interest rate cut to push yields much lower.

Asian stock markets fell to Ecu 739.12 Daimler Ber sharply, but it was Russia fared slightly better folloring an upbeat annual get the most construct to the most cons

markets in Asia and Eastern Europe to generate sharp markets, the declines were falls throughout the continent.

The FTSE Eurotop 100
The Ftse Eurotop 200 index fell 62.8 or 2.18 per cent to 2,812.42, and the cent to 2,812.42, and the cent to 2,812.42 and the cent to 2,812.42. The declines were another 11 per cent, and interest rates were hiked by interest rates were hiked by 100 percentage points in a desperate measure to shore up the financial markets.

Some analysts suggested that another Ecu 6.3 to Ecu 2.2 to E

broader Eurotop 300 index George Hodgson, Eurofell 26.06 points to 1,226.91.
The Ebloc 100 index, which ABN Amro, said: "You through into pan-European only includes stocks from would have thought the first

Continental European been the banking sector, and it is not off as much as I continental bond markets benefited initially from a flight to safety into US Treasury bonds, but ended mostly unchanged, and analysts said it would take an interest rate.

cern. The stock market fell another 11 per cent, and fell Ecu 2 to Ecu 98.99. interest rates were hiked by The Belgian bank group

through into pan-European ogy sector fell sharply. SA earnings, in the same way as lost Ecu 26.7 to Ecu 484.84.

FTSE Actuaries Share Indices

been the banking sector, and hurting US earnings for

hit hard, with BMW dov Ecu 24.8 to Ecu 918.82 au

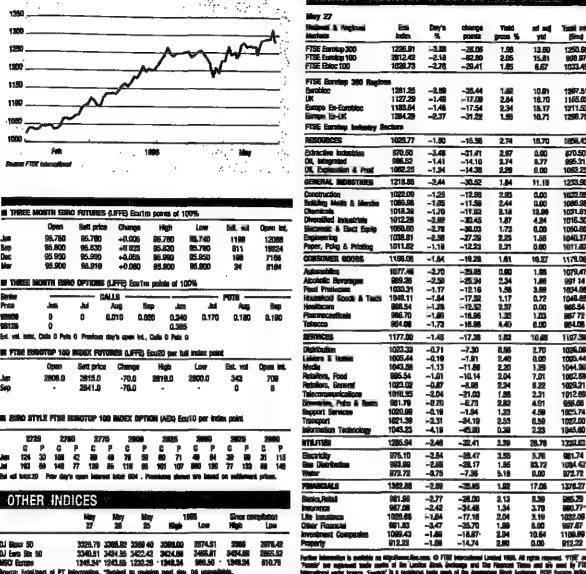
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1	BITTIELTY					_	Boro issues Abbey Nati Trees Gen Electric Cap C Dest Konbrolibani Cap Lacal de Fran Lacal de Fran	5rv 02/0 2p 10/0 1 04/0 102 04/0	3 4.875 6 5.500 8 5.250 8 5.250 1 5.000 4 8.375	AA AAA AA+	100.580 103 430 101.330 100 090	4 73 4 85 5 07 5 24	-0.02 -0.03 -0.02 +8.01	-0.05 -0 15 -0.23 -0.21

ABN-AMRO





	Ecu						Gest Kontrollbank	04/08	5.250	AAA	101.330	5.07	-0.03	-0.23	+0.07
							Continual on France	04.08	5.250	AA+	100 090	5.24	+0 01	-021	0.24
4							Con Victoria								
7 —						_	Baryer Hypo & Wich 68.	07/01	5.000	A.	101.250	4.56	-0.01	-0.09	+0 13
	Bermany						Cred Fergie Practs		8.375	Ä	115 860	5.28	-0.03	-0.23	+0.54
	an in early						Erm Inv Baris	04/64	5.250	AAA	103,010	A.ES	-0.01	40.55	-0.09
							ASN Armo Hidg. NV	04/07	6.375	MA-	107 450	5.30	-0.01	-0.24	+0 36
Source in	1 3 Historia Data FT Internal		10 o metodny	15	20 30		Source, interaction (in sovereages and fungiti land), are mand of i	de atio ope i	nig film iss	ua 1/1.700	Earl miure				
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GOVE	ERNMENT B		READS 7 yrs	10 yrs	20 yrs	30 yrs	Hay 27	8 & P	Rest		Corrency		Spre		
Nag 27						30 yrs	May 27	S & P	Plenti date	Coupra	Contempy code	Spread	Spre d wk a	go mil	400
	2 yrs						May 27	S & P mileg	Persi date 01/09	Coupra 5,000	Contency code DEM	Spreas -0.0	Spred wik a	go mili Di +	0.12
May 127 "Me" Austria		5 yrs	7 yrs	10 yrs	20 yrs	36 yes +0.01	KPW Franca Telcom	S & P miles AAA AA+	Red date 01/09 11/06	5,000 6,250	Corrency code DEM FRF	Spread -0.01	Spre d wk a 1 40.0	00 mil 11 + 15	0.12 0.30
May 127 "Me" Austria Belgium	2 ym -0.12 -0.12	5 yrs	7 yrs +0 08	10 yrs	20 yrs -0.02	+0.01	May 27 APW France Telcom Helitzs	S & P ming AA. AA.	Red date 01/09 11/06 67/07	5.000 6.250 5.625	Corrency code DEM FRF DEM	-0.01 +0.11 +0.16	Spred wk a 1 40.0 3 +0.0 8 +0.0	00 mil 16 + 16 +	0.12 0.30 0.34
May 127 "Me" Austria	2 yn -0.12 -0.12 -0.17	5 yrs -0.07 -0.02 -0.01	7 yrs +0 08 +0.08 +0.05	10 yrs +0.01 +0.03	-0.02 +0.02	+0.01 +0.04 -0.54	May 27 APW France Telcom Helitz log Sank NV	AAA AAA AAA AAA	Red date 01/09 11/06 67/07 01/08	5,000 6,250 5,625 5,625	Corrency code DEM FRF DSM MLG	-0.0* +0.10 +0.10 +0.10 +0.17	Spred wk a 1 40/ 3 +0.1 8 +0.2 7 440.1	20 mil	0.12 0.30 0.34 0.31
May Y7 "Me" Austria Belgium Finlandi France	2 yrs -0.12 -0.12 -0.17 -0.20	5 yrs -0.07 -0.02 -0.01 -0.11	7 yrs +0.08 +0.08 +0.05 -0.07	+0.01 +0.03 +0.00	-0.02 +0.02 -0.34 -0.05	+0.01 +0.04 -0.54 -0.05	KRW 27 KPW France Telcom Helifax log Sank NV Berys Hyps W SA	AAA AAA AAA AAA AAA AAA	Red date 01/09 11/06 67/07 01/08 02/02	5,000 6,250 5,625 5,625 5,750	Corrency code DEM FRF DEM MLG ITL	-0.0* +0.10 +0.10 +0.16 +0.17	Spred wik a 1 HOM 3 +0.1 8 +0.2 7 HOM 7 +0.1	18 + 18 + 18 + 18 + 18 + 18 + 18 + 18 +	0.12 9.30 0.34 0.31
May 127 "Me" Austria Selgium Finland France Bermanny	2 ym -0.12 -0.12 -0.7 -0.20 -0.28	5 yrs -0.07 -0.02 -0.01 -0.11 -0.13	7 yrs +0.08 +0.08 +0.05 -0.07 -0.02	+0.01 +0.03 +0.00 +0.05 -0.12	-0.02 -0.02 -0.34 -0.05 -0.05	+0.01 +0.04 +0.54 -0.06 -0.07	KIRW 27 KIRW Practo Telcom Halifax log Sanis NV Entys Hyter W Si, Cred Fancier	MAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAA	Red date 01/09 11/06 07/07 01/08 02/02 02/03	5.000 6.250 5.625 5.625 5.500 6.750 7.250	Conveney code DEM FRF DEM MLG ITL DEM	=0.0* +0.10 +0.10 +0.10 +0.10 +0.20 +0.20	Spred wik a 1 H-04 1 +0.1 1 +0.1 1 +0.1 7 +0.1 7 +0.1 7 +0.1 7 +0.1	(2) mill 18 + 18 + 18 + 18 + 18 + 18 + 18 + 18 +	0.12 9.30 0.34 0.31 0.91
May Y7 "Me" Austria Belgium Finlandi France	2 ym -0.12 -0.12 -0.17 -0.20 -0.28 +0.59	5 yrs -0.07 -0.02 -0.01 -0.11 -0.13 +0.12	7 yrs +0.08 +0.08 +0.05 -0.07 -0.02 +0.14	+0.07 +0.03 +0.00	-0.02 +0.02 -0.34 -0.05 -0.05 -0.03	+0.01 +0.04 +0.54 -0.06 -0.07 +0.22	May 27 KPW Prince Telcom Helifaz log Sanis NV Bayer Hygo W Sk, Czed Parcele Thomson-Branct Int	MAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAA	01/09 11/06 67/07 01/08 02/02 02/03 03/04	5.000 8.250 5.625 5.625 5.500 6.750 7.250 6.375	Corrency code DEM FRF DEM MLS ITI. DEM FRF	5pread +0.17 +0.16 +0.17 +0.27 +0.23 +0.23	Spred wik a 1 H-04 1 H-	20 mil	0.12 9.30 0.34 0.31 0.91 0.94
May 127 "Me" Austria Seigium Finiand Franci Security Iraland linky	2 ym -0.12 -0.12 -0.17 -0.20 -0.28 +0.63	5 yrs -0.07 -0.02 -0.01 -0.11 -0.13 +0.12 +0.19	7 yrs +0 08 +0.08 +0.05 -0.07 -0.02 +0.14 +0.21	10 yrs +0.01 +0.03 +0.05 -0.12 +0.12	-0.02 +0.02 -0.34 -0.05 -0.05 +0.10 +0.21	+0.01 +0.04 +0.54 -0.05 -0.07 +0.22 +0.15	KFW Pracca Telcom Heidzz log Sank NV Bayer Hyter W SA, Cool Francier Thorseon-Brandt Int Generate des Essa.	S & P miles	61/09 11/06 67/07 01/08 02/02 02/03 03/04 03/04	5.000 8.250 5.625 5.625 5.500 6.750 7.250 6.375 6.250	Contency code DEM FRF DEM MLS ITI. DEM FRF FRF	-0.0** +0.11** +0.12** +0.25* +0.25* +0.25** +0.25**	Spred wk a 1 40/0 9 +0.0 7 +0.0 7 +0.0 9 +0.0 8 +0.0 8 +0.0	90 mil	0.12 0.30 0.34 0.31 0.91 0.63 0.63
Way Y/ "Me" Austria Seigium France Geraniny Iraliand Italy Lasteshoo	2 ym -0.12 -0.12 -0.17 -0.20 -0.26 +0.65 +0.53	5 yrs -0.07 -0.02 -0.01 -0.11 -0.13 +0.12 +0.19 -0.02	7 yrs +0.08 +0.08 +0.07 -0.07 -0.02 +0.14 +0.21 +0.08	+0.01 +0.03 +0.00 +0.00 -0.12 +0.12 +0.20 +0.03	-0.02 +0.02 -0.34 -0.05 -0.05 -0.10 +0.11 +0.21	+0.01 +0.04 -0.54 -0.05 -0.07 +0.22 +0.15 +0.04	AFW Francia Telcom Hairles Ing Baris NV Bayaris NV Cront Francia Thomson-Branch Int Banesia Etys Burns of Chain	S & P miles AAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAA	Red date 01/09 11/06 67/07 01/08 02/02 02/03 03/04 03/04 07/50	Coupn 5.000 8.250 5.625 5.500 6.750 7.250 8.375 6.250 7.125	Contency code DEM FRF DEM MLS ITI. DEM FRF FRF	5pread +0.17 +0.17 +0.27 +0.27 +0.23 +0.23 +0.24	Spred wk a 1 +0.0 1 +0.1 1 +0.1 1 +0.1 7 +0.1 7 +0.1 7 +0.1 8 +0.1 8 +0.1 8 +0.1 8 +0.1	20 mill + 18 + 20 + 118 + 23 + 133 + 133 + 1376 + 1	0.12 0.30 0.34 0.31 0.91 0.63 0.63
Way Y/ "Me" Austria Seigium France Berastray Irakadaran Isaky Lustrakaran Netherland	2 ym -0.12 -0.12 -0.17 -0.17 -0.17 -0.19 -0.20 -0.20 +0.23	5 yrs -0.02 -0.01 -0.11 -0.13 +0.12 +0.19 -0.02	7 yrs +0 08 +0.08 +0.06 -0.07 -0.02 +0.14 +0.21 +0.08 -0.03	+0.01 +0.03 +0.00 +0.05 -0.12 +0.12 +0.20 +0.03	-0.02 +0.02 -0.34 -0.05 -0.19 +0.19 +0.12 -0.04	+0.01 +0.04 -0.54 -0.06 -0.07 +0.22 +0.15 +0.04 -0.06	APW Friesca Telcom Halfites ge Bank NV Bayer Nytor W (A), Crod. Francier Thousan-Brandt Int Generate dies Euro. Burk. of Chein Men Bit of Hungary	S & P miling AAA AAA AA ABBA BBB BBB	Red date 01/09 11/06 07/07 01/08 02/02 02/03 03/04 03/04 07/90 06/01	5.000 6.250 5.625 5.625 5.500 6.750 7.250 6.375 9.250 7.125 8.000	Comency code DEM FIST DEM MLS ITI. DEM FIST DEM ATS	5pread -0.0** +0.11** +0.15** +0.25** +0.20* +0.20* +0.20* +0.20* +0.20** +0.20** +0.20** +0.20** +0.20** +0.2	Spred wk a 1 HOM 1	go mill 118 中 188 中 118 日 128 日 133 日 136 日 137 日 138 日 13	0.12 0.30 0.34 0.31 0.91 0.94 0.63 0.62 0.66
Winy YZ "Intel" Austria Selgium Fioland France Berminy Iralia Ilanguates Netherland Portugal	2 ym -0.12 -0.02 -0.03 -0.20 -0.20 +0.03 +0.03 -0.10 -0.01	5 yrs -0.07 -0.02 -0.01 -0.11 -0.12 +0.19 -0.02 -0.10	7 yrs +0 08 +0.08 +0.05 -0.07 -0.02 +0.14 +0.21 +0.08 -0.03 +0.10	+0.07 +0.03 +0.00 +0.05 -0.12 +0.12 +0.20 +0.03 -0.07 +0.09	-0.92 +0.02 -0.05 -0.05 -0.05 +0.16 +0.21 +0.02	+0 01 +0.04 -0.54 -0.06 -0.07 +0.22 +0.15 +0.04 -0.06 +0.37	AFW Francia Telcom Hairles Ing Baris NV Bayaris NV Cront Francia Thomson-Branch Int Banesia Etys Burns of Chain	S & P miles AAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAA	Red date 01/09 11/06 67/07 01/08 02/02 02/03 03/04 03/04 07/50	Coupn 5.000 8.250 5.625 5.500 6.750 7.250 8.375 6.250 7.125	Contency code DEM FRF DEM MLS ITI. DEM FRF FRF	5pread +0.17 +0.17 +0.27 +0.27 +0.23 +0.23 +0.24	Spred wk a 1 HOM 1	go mill 118 中 188 中 118 日 128 日 133 日 136 日 137 日 138 日 13	0.12 0.30 0.34 0.31 0.91 0.93 0.63 0.63
Wine Y7 "Me" Austria Seigium Finland Finland Finland India Berminy Iraliand Italy Installand Notherland Spein	2 ym -0.12 -0.12 -0.17 -0.17 -0.17 -0.19 -0.20 -0.20 +0.23	5 yrs -0.02 -0.01 -0.11 -0.13 +0.12 +0.19 -0.02	7 yrs +0 08 +0.08 +0.06 -0.07 -0.02 +0.14 +0.21 +0.08 -0.03	+0.01 +0.03 +0.00 +0.05 -0.12 +0.12 +0.20 +0.03	-0.02 +0.02 -0.34 -0.05 -0.19 +0.19 +0.12 -0.04	+0.01 +0.04 -0.54 -0.06 -0.07 +0.22 +0.15 +0.04 -0.06	APW Friesca Telcom Halfites ge Bank NV Bayer Nytor W (A), Crod. Francier Thousan-Brandt Int Generate dies Euro. Burk. of Chein Men Bit of Hungary	S & P ming AAA AAA AA AA BBB+ BBB- B+	Red date 01/09 11/06 07/07 01/08 02/02 02/03 03/04 03/04 07/50 06/01 11/02	5,000 6,256 5,625 5,500 6,750 7,250 6,375 6,250 7,125 8,000 5,625	Convency code DEM FRF DEM MLS ITI. DEM FRF RRF DEM ATS FRF	Spread =0.07 +0.11 +0.11 +0.27 +0.22 +0.23 +0.77 +0.77	Spred wh a 1 HOM 1 + 0. 1 HOM 1 + 0. 1 HOM 1 + 0. 2 HOM 1 + 0. 2 HOM 1 + 0. 1 HOM 1 1	P0 P00 P00 P00 P00 P00 P00 P00 P00 P00	0.12 0.30 0.34 0.31 0.91 0.63 0.63 0.63 0.63 1.62 0.66 1.42
May Y/ "Me" Austria Beigum Financi Berminy Irainoi Italy Instruct Representant Perfugal Spain "berfe"	2 ym -0.12 -0.12 -0.17 -0.20 -0.20 +0.23 +0.23 -0.18 -0.18 -0.18 -0.00	5 yrs -0.07 -0.02 -0.01 -0.13 +0.12 +0.19 -0.02 +0.66 +0.61	7 yrs +0.08 +0.06 -0.07 -0.02 +0.14 +0.21 +0.08 -0.03 +0.10	+0.07 +0.03 +0.00 +0.05 -0.12 +0.12 +0.20 +0.03 -0.07 +0.09	-0.02 +0.02 -0.34 -0.05 -0.03 +0.10 +0.02 -0.04 +0.12 +0.16	+0 01 +0.04 -0.54 -0.07 +0.22 +0.15 +0.04 -0.05 +0.37 +0.32	APW France Telecon Heitzs log Bank NV Bayer Hyra W BA, Cred Francer Thornson-Brandt Int Gaseante des Eusa Burns of Charie Met Sit of Hungary Korse Der Burn.	AAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAA	Field date: 01/09 11/06 07/07 01/08 02/02 02/03 03/04 03/94 05/07 11/02 mation. Table	5,000 5,560 5,625 5,625 5,500 6,750 7,250 6,250 7,1125 8,250 5,625	Contency code DEM FRF DEM MLS ITL DEM FRF RSF DEM ATS FRF yield spread	Spread -0.07 +0.17 +0.17 +0.27 +0.22 +0.23 +0.77 +4.47	Spred wk s 1 +0.0 8 +0.2 7 +0.3 7 +0.3 9 +0.3 8 +0.2 8 +0.1 1 +4.0 668 curve	Page	0.12 0.30 0.34 0.31 0.91 0.63 0.63 0.63 0.63 1.62 0.66 1.42
Miny 17 "Me" Austria Seiguum Finland France Berminy Iraliand Irany Iraliand Netherland Spain "Optife" Commerk	2 ym -0.12 -0.12 -0.13 -0.17 -0.20 -0.23 +0.03 +0.13 -0.11 -0.19 -0.19 -0.19 -0.19 -0.19 -0.19 -0.19	5 yrs -0.07 -0.02 -0.01 -0.11 -0.13 +0.12 +0.19 -0.02 +0.61 +0.61	7 yrs +0 08 +0.08 +0.05 -0.07 -0.02 +0.14 +0.21 +0.08 +0.10 +0.12	+0.07 +0.03 +0.00 +0.00 +0.12 +0.12 +0.20 +0.03 +0.03 +0.10 +0.10	-0.02 +0.02 -0.05 -0.05 -0.05 +0.16 +0.21 +0.21 +0.04 +0.24 +0.16 +0.05	+0 01 +0.04 -0.54 -0.05 -0.07 +0.22 +0.15 +0.04 -0.05 +0.37 +0.32 +0 19	APW France Telcom Heidze log Baris MV Bayer Hyge W BA, Croft Francier Thomson-Branch int Generate Ge Eus. Buris of Chain Heil Biol Hungery Korne Dav Berts Source: Interactive De	AAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAA	Field date: 01/09 11/06 07/07 01/08 02/02 02/03 03/04 03/94 05/07 11/02 mation. Table	5,000 5,560 5,625 5,625 5,500 6,750 7,250 6,250 7,1125 8,250 5,625	Contency code DEM FRF DEM MLS ITL DEM FRF RSF DEM ATS FRF yield spread	Spread -0.07 +0.17 +0.17 +0.27 +0.22 +0.23 +0.77 +4.47	Spred wk s 1 +0.0 8 +0.2 7 +0.3 7 +0.3 9 +0.3 8 +0.2 8 +0.1 1 +4.0 668 curve	Page	0.12 0.30 0.34 0.31 0.91 0.63 0.63 0.63 0.63 1.62 0.66 1.42
May Y/ "Me" Austria Beigum Financi Berminy Irainoi Italy Instruct Representant Perfugal Spain "berfe"	2 ym -0.12 -0.12 -0.17 -0.20 -0.20 +0.23 +0.23 -0.18 -0.18 -0.18 -0.00	5 yrs -0.07 -0.02 -0.01 -0.13 +0.12 +0.19 -0.02 +0.66 +0.61	7 yrs +0.08 +0.06 -0.07 -0.02 +0.14 +0.21 +0.08 -0.03 +0.10	+0.07 +0.03 +0.00 +0.05 -0.12 +0.12 +0.20 +0.03 -0.07 +0.00 +0.10	-0.02 +0.02 -0.34 -0.05 -0.03 +0.10 +0.02 -0.04 +0.12 +0.16	+0 01 +0.04 -0.54 -0.07 +0.22 +0.15 +0.04 -0.05 +0.37 +0.32	APW France Telcom Heidze log Baris MV Bayer Hyge W BA, Croft Francier Thomson-Branch int Generate Ge Eus. Buris of Chain Heil Biol Hungery Korne Dav Berts Source: Interactive De	AAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAA	Field date: 01/09 11/06 07/07 01/08 02/02 02/03 03/04 03/94 05/07 11/02 mation. Table	5,000 5,560 5,625 5,625 5,500 6,750 7,250 6,250 7,1125 8,250 5,625	Contency code DEM FRF DEM MLS ITL DEM FRF RSF DEM ATS FRF yield spread	Spread -0.07 +0.17 +0.17 +0.27 +0.22 +0.23 +0.77 +4.47	Spred wk s 1 +0.0 8 +0.2 7 +0.3 7 +0.3 9 +0.3 8 +0.2 8 +0.1 1 +4.0 668 curve	Page	0.12 0.30 0.34 0.31 0.91 0.63 0.63 0.63 0.63 1.62 0.66 1.42

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Flight to quality lifts US Treasury prices

GOVERNMENT BONDS By Jeremy Grant in London and John Labate in New York

European markets ended mixed but grew jumpy yes- ing now to really get the terday as global equities markets to move signifitumbled and the contagion cantly," said Kit Juckes, worries spilled over into strategy at NatWest. other emerging markets, pri-

overnight pushed bond tering after Moscow tripled prices higher at the open in this key interest rate to 150 Europe, as did weaker com- per cent. Short-term governmodity prices and continued dollar strength.

ignite as some had expected, market session. falling back towards the recoiled from challenging Fund officials that Russia further key technical yield

we will have to force people into talking about rate cuts. You'd need a much bigger [emerging market and equity] crisis than we're seeeffect from Asian economic head of bond and currency

In Russia, Treasury bill yields jumped as confidence Firmer US Treasuries in the economy took a batment security yields soared by 20 percentage points to However, bonds failed to 80-84 per cent in an extra

In spite of comments by was not in an economic criand currencies benefited yields swept lower as invesmost from flight to quality tors hunted for quality desti-

German bund yields could head significantly lower - to 4.5-4.75 per cent - if emerging market fears worsened.

Events in Asia reinforced such views, with Hong advanced. The 10-year note Kong's economic czars admitting the territory had experienced a "very rough year note rose à to 100%, first quarter", with worse to

"This is just raising fears that we're getting more contagion effects out of emerging markets. It's probably justified. I think there are substantial concerns over some east Asian economies," said Robert Blake, economist at Citibank

In the UK, however, gilts close as core markets International Monetary fell on hawkish inflation comments by a Bank of England council member. sis, currencies fell in east signalling that the interest In addition, US Treasuries Europe and US long bond rate debate is still not

US TREASURIES contin-

Analysts predicted that remained firm against the yen. By early afternoon the benchmark 30-year bond had be revised upward slightly to gained % to 104%, yielding 4.4 per cent, and that dura-

> Shorter-term issues also risen by 0.8 per cent. was up % to 100%, yielding 5.542 per cent while the twoyielding 5.536 per cent.

Although there were no significant economic releases yesterday, prices advanced ahead of today's reports, which will include first-quarter GDP, durable goods sales and first-time unemployment claims. On Friday new figures on

sumption are expected. "With the backdrop of a Fed leaning toward tightencan go on the upside," said tors sold off on fears over

New international bond issues

personal income and con-

Most analysis estimate GDP for the first quarter will ble goods sales will have

GERMAN BUNDS started firmly on the back of gains in US Treasuries. The short end of the yield curve was helped by Bundesbank president Hans Tietmeyer saying "no major surprises" were expected from today's bank council meeting.

"You can see how much uncertainty [on the interest rate outlook) is still priced into the short end. It still has some potential," said one bund analyst at a European investment house.

However the June 10-year stronger economy and the bund future lost initial gains and settled 0.30 basis points ing there's only so far we higher at 107.73 after inves-Terrence Piggott, head of the situation in Russia. government trading at where German institutions batwa Securities America. have significant exposures.

Traders were looking for bunds to test the key 108 basis point harrier but saw little on the domestic front to spark activity.

In the UK, short sterling and GILTS slipped on comments by Bank of England economist Mervyn King that earnings growth was still a worry and that the risk remains of "stubbornly buoyant" domestic consumption, in spite of recent soft retail sales figures.

By mid-session, the June gilt future was down 6 basis points at 108.99, off an earlier high of 109.19.

Volume was heavy with 180,000 contracts traded by the close, which saw the June contract settle at 109.01, down 0.20 basis

The December short sterling future closed 3 basis points down at 92.78, largely ruling out any rate change before the end of the year.

NEWS DIGEST

SECURITISATION

SBC launches first Swiss mortgage-backed bond

Swiss Banking Corporation yesterday launched Switzerland's first ever mortgage-backed bond in a DM314m offering. SBC said the four-tranche bond, which was rated at AAA on the first two portions and A/A2 on the second two, was the first of what it planned to be quarterly issues of mortgage-backed bonds. An official at SBC said the bank expected the quarterly offerings to total about DM750m.

The bank, which has SFr18bn of mortgages on its books, said it was part of a drive to improve its return on capital. Credit Suisse, the other large Swiss bank, is also thought to be looking at securitising its future mortgages.
Unlike less regulated markets, Swiss authorities do not per-

mit banks to securitise mortgages without the express per-mission of the borrowers. SEC is, therefore, unable to securitise most of the existing mortgages on its books. "We plan to make it a standard for clients to sign new mortgages permitting their securitisation,"-said an official.

Yesterday's issue was split between three-year and five-year offerings and two smaller subordinated tranches. The senior tranches were launched at mergins of 15 and 17 basis points over Libor, respectively.

Bondholders will not have the right to sue for default if the principal has not been repaid by the end of the bond's maturity. Instead the life of the bond, which has been packaged in a "soft builet" format, will be extended if full repayment has

Officials say the bond has been packaged to look more like a securitisation of credit card receivables than a securities mortgage-backed issue. Edward Luce

SYNDICATED LOANS

Support for Texas Utilities

The \$11bn syndicated loan to fund Texas Utilities' acquisition of The Energy Group has closed with strong support from a syndicate of 48 international banks.

Peter Gleysteen, head of global syndicated finance at Chase, one of the three lead banks, said: "This is proof poeltive of the overall health and depth of liquidity of the global bank market for qualified borrowers in well structured deals." The other lead managers were Lahman Brothers and Merrill

It was a complex transaction, with six bank facilities for four separate borrowers, ranging from Texas itself to the UK oper-ating companies. It was also the largest ever broadly syndicated loan for a European acquisition.

The core sub-underwriting banks had committed to taking \$500m each of the loan, but demand was sufficiently strong that sources said they had been allocated less than \$350m.
The deal has come at a difficult time for the syndicated loan market, with the Japanese banks substantially withdrawing, and several European banks also reducing their participation. A number of deals have struggled so far this year, but bankers said the Taxas loan was "priced to go". Simon Davies

BAR CROSS (A41) A

TMCC raises DM750m with seven-year offering

INTERNATIONAL BONDS By Edward Lince and Simon Davie

In addition, TMCC conToyota Motors Credit Corp sulted widely on its choice of call bond, where the bond is yesterday demonstrated that currency. "We could have not all was turbulence out of Asia with a well-priced but the D-Mark is still con-DM750m offering. The bond, lead-managed by Barclays Capital and Paribas, was The bond, priced to yield launched in the relatively 15 basis points over the unusual maturity of seven

An official at Paribas said this was the result of wide consultations with investors, who expressed a preference 8 basis points to other AAA for the shorter maturity rated borrowers in the same because of the tiny differen- maturity. tial between the yield on AMOCO, the US energy manager said "the weakness

This, said the official, dem- time since 1992, with an onstrated TMCC's commitborrowing strategy.

opted for another currency sidered the most reliable," said the banker.

equivalent bund, was distribnted mostly to continental ing French funds. It provided a spread pick-up of 4 to of its indicated range.

higher of par or the equivalent yield to the May 2008. A senior banker at Morgan Stanley, lead book-runner. said the deal had met strong demand from Swiss investors, but admitted it was launched in "sub-optimal European investors, includ- market conditions". The deal was priced at the wider end

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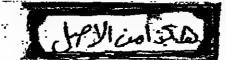
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l	said the deal had met strong				· · · · · · · ·			to the man	- 100	W. W.
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licross/	11/96 Q1/99	9,000	109.5416	6,00	-9.86 +0.11	+0.36	-0.33 +0.81	-1 10 +0.97	.bm	Open 105.28	800 price 105.38	+0.11	19gh 195,27
	01/07	6.790	100.0300	3.85	+0.03	+0.11	+0.14	-0.57	Sep	105.14	108.20	+0.11	105.21
Portugal	02/96 02/07	8.600 6.625	103.3300 110.9600	4.19 E.04	+0.01	-0.05 -0.07	-0.11	-1.12 -1.28					
Spain	07/99 03/07	7.400	103.6200	413	-0.67	-0.10	-0.18	-0.98	MALLON	L PRINCE	SOUL PER		DMS80,900
Sweden	01/99	7.350	116 1508	6.04 4.40	+0.01 -0.06	-0.05 -0.19	-0.11 -0.30	-1.63 -0.48	l-a	Орин	Sett price		High
	08/07	1.000	121.2630	8.05	-0.02	-0.10	-0.25	-1.95	Juni Sép	:	105.33 105.16	+0.14 +0.14	:
Switzertand	03/00 08/07	5.000 4.500	105.4300 112.2400	1.86 2.94	-015 -012	-0.06 -0.10	-0 10 -0.21	+0.28 -0.52	Italy				
DK	06/99	6.000	99.2344	5 80	+0.01	-0.08		-0.15	W MOTTON				
	11/04 12/07	6.750 7.250	104,8018 110,7422	6.89. 5.77		-0.13 -0.12	-0.15 -0 18	-135 -144	Jan	Opes 119.32	Sett price 119,18	-0.04	High 119,45
=	10/99	6.000 5.625	129.1563	5.57 5.57	+0.01	-0.11 -0.01	-013 -0.14	-1.57 -0.71	Sep	119.80	119.58	+0.01	119.63
-	11/04	7 875	112.1800	8.60	-0 07	-1.08	-025	-1.03	III ITALIAN	COVT. BOM	0 6119 FU	NUMBER OFTE	
	08/07 08/27	6.125 6.375	103.5700 106.9770	5.62 5.87	-0.03	-0.00 -0.07	-0.24 -0.23	-1.17 -1.16	Strice		c/	ULE	
EOU	81/00 94/07	4.000 5.500	99.6400 104.0000	4.22 4.93	-0.01	+0.01	-0.01 -0.15	-0.07 -1.35	Price T1988		انتار. 1.50	Aug 0.72	
Loudos circus. "New	York closes				Samo	e lebende	e Cata:FT b	Marantino	12000	0	L25	0.49	•
Thirds Local stands	مار (دخارهاد دخماناس		V back To				24 5 1	125 per	12050 Ba. vol. 1014.		l.11 146 251. Tre	13:1) په دارها هين	pa int., Cady (5
10 YEAR	BENC	нма	RK SI	PREA	DS				Soain				
		Spread	Spread				Spread	Spreed	•	V 604860		TOTAL A-M1777	
May 27	Hid Yield	es Bunds	¥6 T-Band3			Pick Yieki	vs Bunds	T-Bonds	E ADIRAGA	Open	Sett price	Change	High
Australia Austria	5.39 4.07	+0.51	-0.15	How Zea	iand	647	+1.59	+0.93	Jun	109.23	109.00	+0.02	109.26
Belghots	5.03	+0.17	-0.55 -0.51	Horway Portugal		5.57 5.09	+0.59	+0.03	Sep 1 mg	109.00	108.89	+0.03	109.00
Desmark Desmark	5.33 5.17	+0.45 =0.29	-0.21 -0.37	Spain Sweden		5.10 5.09	+0.22 +0.21	-0.44 -0.45	LING ME RESTRICALA	L 5 YEAR 6	alt future	s um s	100,000 100m
France	1.95	+0.12 +0.07	-0.54 -0.59	Switzerta UK	ng	2.94 5.75	-1,94 +0.87	-2.60 +0.21		Open	Sett price	Charge	High
Germany Ireland	4 68 5 12	+0.24	-0.66	us ECU		5.54 5.00	+0.66	-0.54	Jun Sep	102.98	102.93 104.34	40.00	103.07 104.27
Haby Japan	5.20 1.30	+0.32 -3.58	-0.34 -4.24		iogethia ili isint. " Na								104.37 00 32ads of 10
Netherlands	4.93	■0.06	-0.61	Agrantiant	Appet positi		 -			Dpos	Sett price	Change	. Hilgo
EMERGIN	MA.	RKET	BON	us					ion Seo	109.18 109.45	109.01 109.26	-0.04 -0.05	102.16 103.47
	Red			Bid	Bid	Day's cage	Micris cage	श्रीवर्ष ४८	ech.	102.43	140.20	70.03	IVSA
May 27	date Cou	par R	abag :	Mice.	weki	wid	witt	US					

	0	2/07 6.1	25 110.5	600 E.04	-0.01	-0.07	-0.11	-1.38								
Spein			100 103.6			-0.10	-0.18	-0.90	NOTION.	L DERVE	SCOL PETU		DM280,0	100ths of	100%	
			350 1161			-0.05	-0.11	<u>-1.0</u>		Орен	Sett price	Change	High	Low	Est. voi	Open in
Şireçini		1/99 11.0 8/07 E.0	100 103.9 100 121.2			-0.19 -0.10	-0.30 -0.25	-0.48 -1.95	Jun	-	105.33	+0.14		-	0	404
Switzerland			000 105.4			-0.06	-0 10	+0.28	Sap Martin	•	105.16	+0.14	•	-	0	0
	0	8/07 4	00 1122			-0.10	-0.21	-0.52	Italy				-			
in .			100 99.2			-0.08		-0.15	- HOLINE	·	COVT. BOND					
			750 104.8 750 110.7			-0.13 -0.12	-0.15 -0.16	-125 -144		Opes	Bett pres	Coange	High	1,299	Est. vol	Open in
			105 129.1			-0.11	-013	-1.57	Jest Sep	119.32 119.80	119.16 119.68	-0.04 +0.01	119.45 119.63	119.12 119.63	55000 7633	125810 19757
14			525 100 <u>.</u> 0			-0.01	-0.14	-0.71	ach	116.00	118400	TUUS	118400	110.00	1000	18636
			375 112.1 125 100.5			-0.08	-03 -03	-1.03	III ITALIAN	GOVT. BOM	GTP) FUT	HES OFT		Lins200m 1	00ths of 100	96
			175 106.9			-0.07	-0.23	-1.17 ~1.16	Strike		CAL	<u> </u>			- PUTS	
EGU	Ð	1/00 4.0	000 99.6	400 4.22	-	+0.01	-0.01	-0.07	Price		ندار.	Aug	1	Jul		Aug
	. 0	4/07 5.5	00 104.0	000 4,93	-0.01	-0 06	-0.15	-1.35	71900		.50	0.72		0.24		0.56
Loudos closeg.	"New York	closseg.				a blead	e Date:FT	Maryallar	12000 12050		.25 .11	0.49 (1.31		0.59 0.95		0.83 1.16
Yilds Local es cast pepable by	فرهته زواج	ari, Yangaliya;	1	Total Seal			24 5 1	125 00		_	. 1 5 100 255, 71000					1-10
most designant of	,	_										,			•	
10 YEA	UR BE	ENCHIN	ARK	SPREA	DS				Spain							
		Spres		d		_	Spread	Spreed								
May 27		Bid 1 leid Bund	s v Is T-Band	5		Bio. Yieki	VS Drands	T-Boods	an in interest		BOMD FITTI					
Astoh		39 +0.5			-lood	6.47	+1.59	+0.93		Open	Satt price	Change	High	Low	Est vol	Open int
Austria	i	#0.1			3000	5.57	+0.69	+0.93	Jun Sep	109.23 109.00	109.09 108.89	+0.02	109.26	109.02	78,970 3,332	93,066 6,112
Belghots		.03 +0.1	5 -0.5	1 Portugal		5.09	+0.21	-0.45		102.00	roalas	TOM	TUBLIC	IUELDI	3,302	9114
Demork		.17 +0.4				5.10 5.09	+0.22	-0.44	IAK							
Faland		OD +0.1	2 -0.5	4 Switzert	and	2.94	-1.94	-2.60		L 5 YEAR 6	LT FUIDES	2 (HFFL) &	100,000 to	7ths of 100%	<u> </u>	
France		A5 +0.0				5.75	+0.87	+0.21		Open	Sett price	Change	High	Low	Est. vol	Open Ant
Germany Ireland		12 +0.2	0.6 4 -0.4			5.54 5.00	+0.65	-0.54	Jun	102.98	102.93	40.00	103.07	102.86	1832	7349
Haby	5	20 +0.3	2 -0.3	Source, I	otoractivo il		70.12	-0.54	Sep	104.35	104.34	+0.03	104.37	104.29	1100	134
Japan Netherlands		.36 -3.5			losing. "N		sing.				JURES (T.	1 16 , 52070	QU 32908 Q	100%		
				NDS	d yield basi	9-				Dpon	Sett price	Coange	, High	Toe	Est. vol	Open int
	TROC			104 1 142					Jan .	109.18	109.01	-0.04	102.16	108.99	188974	189398
EMERG	ing i	Marki	: BU	A LINE				-	Seo		109.26	-0.05	109.47			38442
CMERG		MARKI				Day's	Mars	Speed		109.45				109.16	58699	
EMERIS	AING I Red (20)		8 & P	Ed	Bid wekl	chiga	chge	16		105.45				143.10	58699	
Nay 27	Red	Cooper			Glid yneid	Day's cage yid							700 E40 1-		58899	
May 27 M EUROPE	Red (Sate)	Сонераг	S & P Rabing	Std price	ynekl	rzige yld	yki Yki	US	n use c		OPTIONS (L	F7F 290,0	000 540m o			
Nitary Z7 M. EURIDPE Creatis Poland	Red (326) 02/02 07/04	Coupe 7 000 7 125	S & P Rabing BBB- BBB-	Ed		chiga	chge	16	II WE G) Films	OPTIONS (L	EFF 530,1		100%	PEIS ····	Con
itay 27 M. esekee Crouts	Red (320) 02/02	Сонра: 7 000	S & P Rabing BBB- BBB-	Sect prices 96.9928	yaki 7.94	yid yid 40.15	4g 4g +0708	45 US +2.42	n use c		OPTIONS (L	EFF 530,1	100 540m o Sep			Sep
Nitary Z7 M. EURIDPE Creatis Poland	Red (Jate) 02/02 07/04 96/07	Coupe 7 000 7 125	S & P Rabing BBB- BBB-	96.9928 101.1129	7.94 6.88	yld yld 40.15 +0.15	rkd +0.09 +0.14	+2.42 +1,34	II WE G) Films	OPTIONS (L)	FFE) 090,0		100%	- PBIS	Sep d.88
Miley 27 M. EUROPE Create Poland Russia W. Latter Ar Argentina	Red date 02/02 07/04 08/07	Coupe 7 000 7 125	S & P Rating BBB BB BB	96.9928 101.1129	7.94 6.88	yld yld +0.15 +0.15	+0.09 +0.14 +1.56	+2.42 +1.34 +6.77	Strike Price). Salaine	OPTIONS (U	FFFF 630,0	Sep	100% M	PEIS ····	
Many 27 M. EURICPE. Creatis. Poland Ruceia M. Latter Au Argentina Bozzi	Red date 02/02 07/04 06/07	7 000 7 125 10.000 9.750 10.125	S & P Rating - B68- B8- B8-	95.9928 101.1129 87.5500 90.5060	7.94 6.88 12.31 10.82 11.47	+0.15 +0.15 +0.16 +0.42 +0.26 +0.27	+0.09 +0.14 +1.56 +0.59 +0.85	+2.42 +1,34	Strike Price 10900 10950 17008	. SATURES	OPTIONS (J. Ac. Ac. Ac. Ac. Ac. Ac. Ac. Ac. Ac. Ac	FFE 290.1	Sep 1.14 1.68 1.67	Jul 0.42 0.57 1.00	PRIS	0.88
May 27 M. EUROPE. Create. Poland Pacale M. Laten Ad Argentina Bazal Mexico	Red date 02/02 07/04 08/07	Couper 7 000 7 125 10.000 9.750	S & P Rating · BESS BES	95.9928 101.1129 87.5500	7.94 6.88 12.31	yid yid +0.15 +0.16 +0.42	+0.09 +0.14 +1.58 +0.59	+2.42 +1.34 +6.77	Strike Price 10900 10950 17008 Est vol. bob.	. SATURES	OPTIONS (J. CAL. An	FFE 290.1	Sep 1.14 1.68 1.67	Jul 0.42 0.57 1.00	PRIS	0.88 1.12
May 27 M EVENPE Create Poland Rucela M Latter Ar Argentina Brazel Mexico T ASIA	Red (120) 02/02 07/04 08/07 09/27 05/27 05/28	7 000 7 125 10.000 9.750 10.125	S & P Rating - B68- B8- B8-	95.9928 101.1129 87.5500 90.5060	7.94 6.88 12.31 10.82 11.47	+0.15 +0.15 +0.16 +0.42 +0.26 +0.27	+0.09 +0.14 +1.56 +0.59 +0.85	+2.42 +1.34 +6.77	Strike Price 10900 10950 11008 Est wil bisk	0.60 0.43 0.25 Cata 2257 P	OPTIONS (U.S.) CALL AD 0.90 0.80 0.40 data 100 President	1711) 230,1 15	Sep 1,14 1,68 1,67 en int., Cada	Jul 0.42 0.67 1.00 14700 Pum 5	PRIS	0.88 1.12
May 27 M EVENPE Creatin Poland Pacala M Lateur Al Pacala Mento The ASIA China	02/02/07/04/08/07/08	7 000 7 125 10,000 9,750 10,125 11,500	S & P Rabing BBS- BB- BB- BB- BB- BB- BB-	96 9828 101.1129 87 5500 90.5000 101.7500 114.2300	7.94 6.88 12.31 10.82 11.47	+0.15 +0.15 +0.16 +0.42 +0.26 +0.27	+0.09 +0.14 +1.56 +0.59 +0.85	+2.42 +1.34 +6.77	Strike Price 10900 10950 11008 Est wil bisk	0.60 0.43 0.25 Cata 2257 P	OPTIONS (J. Ac. Ac. Ac. Ac. Ac. Ac. Ac. Ac. Ac. Ac	1711) 230,1 15	Sep 1,14 1,68 1,67 en int., Cada	Jul 0.42 0.67 1.00 14700 Pum 5	PRIS	0.88 1.12
Mary 27 M. EURIDPE Chroths Poland Russia M. Laten Argentina Basal Mexico M. ASSA China Philippines	02/02 07/04 06/07 08/07 05/27 05/28 07/06 10/16	7 000 7 125 10,000 9,750 10,125 11,500 7,750 8,750	S & P Rabing - - - 	96 9928 101.1929 87 5500 90.5000 90.7500 114.2000 1103.5090 90.1019	7.94 6.88 12.31 10.82 11.47 9.97	+0.15 +0.15 +0.26 +0.21 +0.21 +0.11	+0.09 +0.14 +1.56 +0.59 +0.85 +0.48 +0.17 +0.57	+2.42 +1.34 +6.77 +5.06 +1.18 +1.82 +1.28	Strike Price 10900 10950 11008 Est wil bisk	0.60 0.43 0.25 Cata 2257 P	OPTIONS (U.S.) CALL AD 0.90 0.80 0.40 data 100 President	1711) 230,1 15	Sep 1,14 1,68 1,67 en int., Cada	Jul 0.42 0.67 1.00 14700 Pum 5	PRIS	0.88 1.12
Many 27 M. EMBRE CONTER Poland Poland Russia M. LATER A Argentina Beach Mendo M. ASAA China Philippines Theiland	02/02 07/04 08/07 08/27 05/28 07/08 10/16 04/07	7 000 7 125 10,000 9,750 10,125 11,500 7,750 8,750 7,750	S & P Rabing - - - 	96 9828 101.1129 87 5500 90.5000 101.7500 114.2300	7.94 6.88 12.31 10.82 11.47 9.97	+0.15 +0.15 +0.15 +0.26 +0.21 +0.21	+0.09 +0.14 +1.56 +0.59 +0.59 +0.48 +0.48	+2.42 +1.34 +6.77 +5.00 +5.00 +1.00 +1.00 +1.00 +1.00	Strike Price 10900 10950 11008 Est wil bisk	0.68 0.43 0.25 Cele 2257 P	OPTIONS (U.S.) CAL An O.S. O.S. O.40 tels 100 Presid	15 C30.1 15	Sep 1,14 1,68 1,67 en int., Cata	Jul 0.42 3.67 7.00 14700 Pan 5	PBTS	0.88 1.12 1.41
Many Z7 M. EUREPPE Crissille Poland Russille M. LATHE A Argentina Brazel Mexico D. ASSA Charle Pullippines Thesisnd D. AFRICAM	Red (200) 02/02/ 07/04 38/07 09/27 05/28 07/08 10/16 04/07	7 0009 7 125 10,000 9,750 10,125 11,500 7,750 \$2,750	S & P Rating 888- 888- 888- 888- 888- 888- 888- 88	96 9928 101.1929 87 5500 90.5000 90.7500 114.2000 1103.5090 90.1019	7.94 6.88 12.31 10.82 11.47 9.97	+0.15 +0.15 +0.26 +0.21 +0.21 +0.11	+0.09 +0.14 +1.56 +0.59 +0.85 +0.48 +0.17 +0.57	+2.42 +1.34 +6.77 +5.06 +1.18 +1.82 +1.28	SPRE Price 10900 10950 11095 11005 Est vol. biol. US III US TREA	13 PRITURES 14 14 14 14 14 14 14 14 14 14 14 14 14	GPTIONS (J. Park Park Park Park Park Park Park Park	15. 15. 15. 15. 15. 15. 15. 15. 15. 15.	Sep 1,14 1,68 1,67 en inc., Cade 1000 32nds e High 121-34 121-18	100%. Jul 9,42 9,57 1,00 14700 Pain 5 1100%. Limit 121–12 121–08	PETS	0.88 1.12 1.4] Open 14 617,318 270,499
May 27 M EMBPE Crosts Poland Russia W Latter At Argentina Bazil Mentico M ASSA China Trailond E AFECAN Lobron	Red (220) 02/02 07/04 08/07 09/27 05/28 07/08 10/16 04/07	7 000 7 125 10,000 9,750 10,125 11,500 7,750 8,750 9,125	S & P Rating B62- 882- 883- 883- 883- 884- 884-	96 9828 101.1/23 87 5500 30.5000 40.7500 114.280 -	7.94 6.88 12.31 10.82 11.47 9.97 7.16 9.93 9.17	+0.15 +0.15 +0.16 +0.26 +0.21 +0.11 -0.15 +0.15 -0.13	+0.09 +0.14 +1.56 +0.59 +0.85 +0.48 +0.17 +0.57	+2.42 +1.34 +6.77 +5.06 +1.18 +1.82 +1.28	SPRE CI SPRE PICE 10900 10900 11900 Est vol. batel. US III US TREA	0.60 0.43 0.25 PA 0.25 PA 0.26 225 PA 0.26 225 PA 0.26 225 PA 0.26 225 PA	GPTIONS (A) CAL An O.SC O.SC O.SC PRIORES (C) PRIORES (C) Sett price 121–20	15 C20.1 15 C20	Sep 1,14 1,68 1,67 1et let, Cade 100 32nds (High	100%. Jul 0.42 9.57 1.00 14700 Pain 5 100% Low 121-12	PETS	0.88 1.12 1.41
Many 27 MI EUROPE Create Poland Poland Russia W Later Al Argesta Mexico D ASSA China Polispones Thailand Lobaron South Africa	Red date 02/02/07/04/08/07/08/	7 0007 7 125 10,000 9,750 10,125 11,500 7,750 8,750 9,125 9,125	S & P Rating 1882 – 1883 – 1884 – 1884 – 1884 – 1884 – 1884 –	96.9928 101.1129 87.5500 80.5000 114.7500 114.7500 114.7500 114.7500 114.7500 114.7500 101.8571	7.94 6.88 12.31 10.82 11.47 9.97 7.16 9.97 2.17	+0.15 +0.15 +0.16 +0.26 +0.21 +0.11 -0.15 +0.15 +0.15 +0.15 +0.15	+0.09 +0.14 +1.56 +0.56 +0.56 +0.57 +0.57 +0.57 +0.57 +0.57 +0.57 +0.57 +0.50	+2.42 +1.34 +6.77 +5.66 +4.18 +1.62 +4.68 +2.71 +2.41	SPRE Price 10900 10950 11095 11005 Est vol. biol. US III US TREA	13 PRITURES 14 14 14 14 14 14 14 14 14 14 14 14 14	GPTIONS (J. Park Park Park Park Park Park Park Park	15. 15. 15. 15. 15. 15. 15. 15. 15. 15.	Sep 1,14 1,68 1,67 en inc., Cade 1000 32nds e High 121-34 121-18	100%. Jul 9,42 9,57 1,00 14700 Pain 5 1100%. Limit 121–12 121–08	PETS	0.88 1.12 1.4] Open 14 617,318 270,499
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Many Z7 M. Elmbye Crissin. Poland Russin M. Lates A Argestina Brazil Mento P. ASSA China Pulippines Thailand E. AFECAN Lobron Lobron Tarkey M. BRACH	02:02:07/04 36:07 05:22:05:28 07:08 10:16 00:07 00:05 10:06 09:07 00:05 09:07	7 000 7 125 10.000 9.750 10.125 11.500 7.750 8.750 7.750	S & P Rabing BB2	96,9928 101,1129 87,5500 80,5000 60,7500 114,2000 103,5090 60,1019 91,5871 107,4250 99,4250	7.94 6.88 12.31 10.82 11.47 9.97 7.16 6.83 9.17 8.25 7.95 16.08	+0.15 +0.15 +0.16 +0.16 +0.21 +0.21 +0.11 -0.15 +0.15 +0.15 +0.15 +0.15	+0.09 +0.14 +1.56 +0.56 +0.56 +0.57 +0.57 +0.57 +0.57 +0.57 +0.57 +0.57 +0.50	+2.42 +1.34 +6.77 +5.66 +4.18 +1.62 +4.68 +2.71 +2.41	SPRE Price 10800 10850 11908 Est vol. biol. US III US TREA	0.68 0.43 0.43 0.43 0.43 0.43 0.43 0.43 0.43	GPTIONS (J. Park Park Park Park Park Park Park Park	15 C20,1 15 G 3	Sep 1,14 1,65 1,67 en let, Cube 100 32nds o 101-36 121-36 121-18	100%. 8.42 0.87 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.0	PRIS	0.88 1.12 1.41 0pm (#, 617,318 270,459 80,897
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4

CURRENCIES & MONEY

US dollar surges on Russia's troubles

MARKETS REPORT

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Crumbling confidence in the rouble helped the US dollar advance against European currencles on the foreign exchange markets yesterday, as investors sought refuge in

the greenback. Russia's central bank tripled key interest rates to 150 per cent - the highest levels in over two years - in a bid to restore the confidence of foreign investors and fore-

stall a rouble devaluation. Michael Lewis, currency analyst at Deutsche Bank in London, said the rouble's fate would be in the balance dollar on the defensive." until the IMF stepped in to provide reassurance. "The concern is that events in east Asia are repeating themselves in Russia, hence these safe-haven flows into the dollar," Mr Lewis said. When we woke up, Asia

was the problem and Europe

a comfortable place to be. status, rising against an

The dollar appreciated against other major currencies. Against the D-Mark, which is thought to be particularly vulnerable to trends in Russia, the dollar rose almost a pfennig to DM1.7816 by the end of trading hours in London.

Analysts said the Russian crisis provided, at most, a reprieve for the dollar against the core European currencies. "The dollar's fundamentals are not particularly bullish," said one. "America's yawning trade deficit is likely to keep the The Swiss franc also bene-

fitted from its safe-haven POUND IN NEW YORK 1.6385 1.6340 1.6295

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Now the problems have array of currencies and slip-moved to Europe's back ping only against the dollar. Against the D-Mark, the Swissie posted its biggest

advance of the year and strengthened to DM1.211. Sterling rose in sympathy with the dollar, reaching DM2.92 against the D-Mark before falling back to DM2.91.

Sterling's rise was helped by a hawkish speech from Mervyn King, the Bank of England's chief economist He warned that UK domestic consumption may remain "stubbornly buoyant".

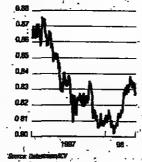
■ Russia made the interest rate increase during mid-day trading in London, after pressure on the rouble. Last week, Russia's cen-tral bank raised interest rates from 30 to 50 per cent, to boost confidence in a mar-

ket laid low by Asia's finan-

cial troubles. Confidence was

ment on Tuesday that there

Against the Swiss Franc (SFr per DM)



had been no bidders for a 75 per cent stake in Rosneft, the last of the big state-controlled oil companies.

David Lubin, emerging markets economist at HSBC bank in London, said Russia's problems stemmed from inadequate foreign exchange reserves. "In considering its response, the IMF is seen to be facing a moral hazard," he said. "If it

arranges supplementary funding it will be open to the accusation that it bales out investors."

■ The yen was edged out of the spotlight yesterday by events in Russia, affording respite for the Japanese currency from its weakening trend. The dollar spent the day trading within a halfyen band. But analysts said they expected the weakness of the yen to persist. A slew of downgradings of Japanese banks by Moody's added to the bearish sentiment.

Jeremy Hawkins, chief economist at Bank of America in London, said the market anticipated a further

OTHER CURRENCIES | New 27 | N

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against the dollar, but that talk of Japanese intervention had held the dollar in check for now.

■ The Czech Republic's koruna also suffered from the rouble's difficulties, exactly a year since the Czech currency floated.

The koruna and the Polish zloty were hardest hit of Eastern Europe's emerging market by the Russian turmoil. The koruna fell by almost two per cent against the D-Mark, which prompted the Czech National Bank to indicate its readiness to intervene in the market. Only last Friday the

koruna had reached its high-

est level for the year at Kč18.1 against the D-Mark. Elsewhere, India's rupee touched a fresh low of Rs41.325 against the dollar, driven down by the World Bank's decision on Tuesday to postpone \$855m worth of

12.3081 36.0825 8.7038 5.8618 1.7499 323.78 1.4221 173.57 36.0825 7.5012 176.51 146.795 7.7337 1.41021 1.1236

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All Futures, Options

& Margined Forex

WORLD INTEREST RATES MONEY RATES 2.75 2.50 5.00 2.75 1.90 5.00 0.50 3.30 3.30 6.75 5.57 3.30 514 544 43 34 52 5.48 41 32 54 5.52 41 30

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THREE, MONTH PROOF PUTURES (MATIFICANS, Intertwell, offered rate												
	Open	Sett proce	Compa	High	LOW	Ett., voj	Open int.					
1	96.390	96.400	+0.000	96.405	HO3 HO	7,505	77,787					
1	962.30	96,250	+0.001	96,230	96,230	10,216	48,631					
THERE MONTH EUBOMARK POTORES (LEFFE)" DATIM points of 100%												
	Open	Sett pince	Change	High	itser	100 W	Open int.					
	96.380	96.385	10.010	95,395	86.375	56133	356041					
	96.230	96.245	+0.025	96.255	96.225	80458	380366					
!	95.990	96.035	+0.06	96.040	85.88 5	106993	430086					
	95.865	95.920	+0.070	95.925	E AGO	70679	386268					
ONE MONTH EUROMARK FUTURES (LEFFE)" DMC/m points of 100%												
	Орел	Sett price	Casange	High	Low	Est. voi	Open int.					
		96.480	+0 015			0	0					
		96.435	+0.015			0	0					
ti r	MONTH BANK	ILIRA PITUR	IS (LETE)	L1000m pel	nts of 100%	1						
	Open	Sett price	Change	High	LOW.	Est. voi	Open int.					
	96,080	95.000	-0.060	95.060	84,990	65588	242502					
	95,700	65,670	-0.010	95,700	95.540	43080	218049					
	95.950	95.990	+0.050	96 010	85.940	38329	145262					
	86.850	95.910	+0 070	95 930	95 850	10018	202639					
100	NOWTH EDRA	SWIFE FILE	NG FETURE	35 (LEFFE) S F	rim points (ol 100%						
	Open	Sett price	Charge	High	Low	Est. voi	Open int.					
	98 370	WK 200	+0.045	98 300	99,360	15398	58387					

	Open	Sett price		High	Low	Est. voi	Open int.					
m	98,370	06,200	+0.045	98,390	98.300	15396	58387					
lep Nes	98.200	98,260	+0.080	98,280	96.190	40084	86110					
NO.	97.990	98.040	+0 080	98 048	97.980	12089	31143					
Apr .	97.880	97,940	+0.070	97 950	97.880	3211	12120					
Time	THE MORTE BEATER PURSES (LFFE) YIMM pasts of 100%											
	Com	Set pro	Change	High	LOw	Est. voi	Open Int.					
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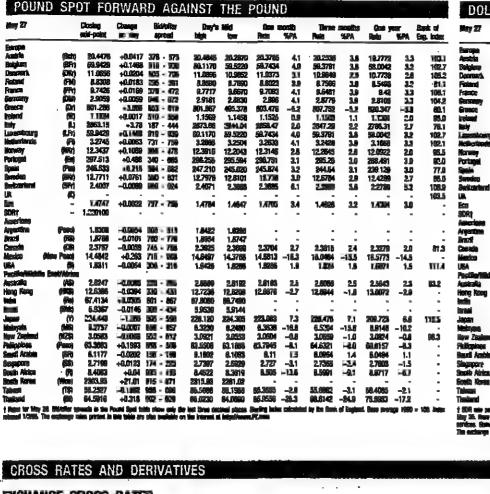
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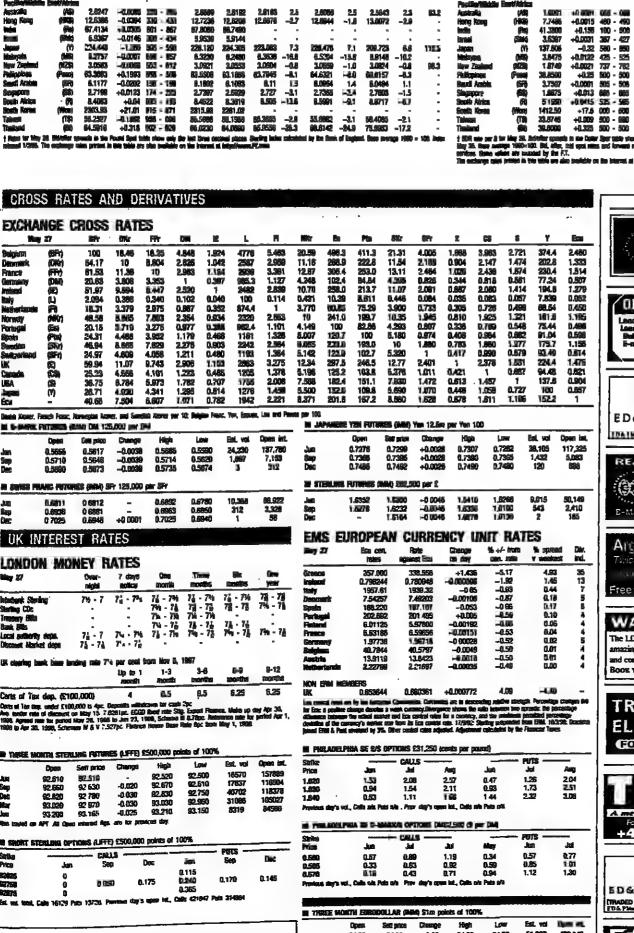
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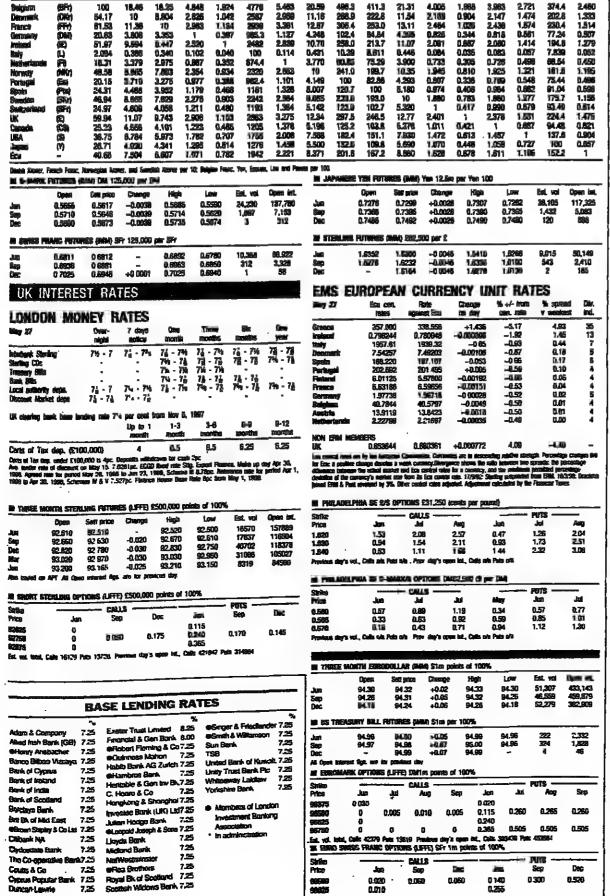
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Hydro Aluminium to double production

Hydro Aluminium, a subsidiary of Norsk Hydro, Norpany, is soon to decide on capacity in Norway that was

will be its first outside in Norway, Karmoy and Europe and part of one of Ardal, were expanded last the aluminium industry's year by a total of 47,000 most aggressive expansion

Hydro intends to double ity to 740,000 tonnes. its annual aluminium proannual capacity at its Sunn- metal to remelt it.

dal smelter in Norway from 145,000 tonnes to 230,000 tonnes at a cost of \$300m. Since 1996 Hydro has reacway's biggest quoted com- tivated 20,000 tonnes of the location of a new \$1bn shut down in the early 1990s when a collapse in Russian The smelter, to be built demand caused a glut of alueither in Trinidad or Qatar, minium. Two other smelters

It aims to increase aluminduction to 1.35m tonnes ium sales this year from between 1996 and 2005. It 1.58m to 1.75m tonnes - the will also probably expand extra coming from buying in

tonnes at a cost of \$120m.

lifting Hydro's annual capac-

business, already the biggest in Europe, is also expected to double in size to about

650,000 tonnes by 2005. To meet its aluminium expansion target Hydro needs 400,000 tonnes of new capacity outside Norway. The choice of location for a 460,000 tonnes smelter. new smelter - Qatar or Trinidad – will depend greatly on the cost and supply of power. Either smelter would use natural gas.

In Qatar the domestic nat-

downstream products such ner in Trinidad if it went as extrusions, wire rod and there, said Thomas Knutzen, foundry alloys. Its extrusion manager of information and public affairs for Hydro Metal Products.

Hydro has yet to decide start with a 220,000 tonnes a year smelter with the prospect of doubling capacity later, or to start with a

Further ahead, Hydro is considering another \$1bn smelter project in Iceland Other options for the longer term include expansion of the Slovalco plant in the Slo- gramme would help cut

Slovalco and markets all its output. It has also started talks with Impermetal in Poland that might lead to a smelter being built there.

The expansion programme whether it would be better to might change if Hydro is successful in a bid for the Venezuelan government's aluminium companies, which are likely to come up for tender again soon.

Hydro has joined Reynolds Metals of the US to tender but Mr Knutzen said there would be strong competition. He said the expansion pro-

Hydro is expanding its ural gas supply group would vak Republic by 30,000 Hydro's average aluminium amelting operations to keep take 40 per cent of the projpace with growth in sales of ect. Hydro might seek a partHydro owns 10 per cent of reorganisation of Norwegian aluminium operations would help by reducing administration costs by 30 per cent.

Hydro expects to add to its raw material supply via the \$1hn Utkal Alumina project in Orisa, India. The Im tonnes a year project will initially be shared between Hydro, with 40 per cent, and Alcan of Canadian and two Indian groups, Tata and Indal, with 20 per cent each.

Once production is under way, possibly in five years' time, 25 per cent will be sold to Indian investors and Utkal will be listed in India.

years. No decision is likely

the go-ahead, its coffee would not be deliverable

before the first month for

which there is no open inter-

est - "possibly well into the

But Brazil's march into

world markets continues. It

has also applied for inclu-

year 2000", says the CSCE.

Were Brazil to be given

before the end of the year.

Call for more production cuts by Opec

MARKETS REPORT

the growing clamour for more production cuts by the Organisation of Petroleum Exporting Countries yesterday, when Sheikh Zaki Yamani, Saudi Arabia's former oil minister, said Opec will have to cut its production to 27m barrels a day if it copes to see Brent prices stabilise at \$14 a barrel in the second half of 1998. Brent averaged \$19.32 a barrel in

In his capacity as chair-man of the Centre for Global Energy Studies, he said Opec is currently running 400,000 b/d short of its pledge to reduce production by 1.245m b/d in March

On London's International Petroleum Exchange Brent blend crude oil for July delivery initially lost a few cents but recovered in later trading to \$14.14 a barrel, only 1 cent lower than the previous close. However, traders said volumes were thin and there was little or no buying interest from US investment funds.

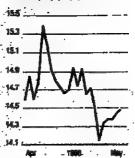
The London morning "fix" for gold was \$292.60 per troy ounce. \$5.35 lower than the previous fix, though slightly improved on the morning's

Overnight selling by investment funds in the US was seen as the biggest fac-

tor behind the slide. Further bearish news came from Switzerland, where the federal government approved draft legislation that might pave the way for the Swiss National Bank ultimately to sell some 1,300 tonnes of gold, about 50 per cent of its reserves; although some traders said this expected move had long been factored into the price. --

was again a relatively quiet day on the London International Financial Futures Exchange, where total volume for coffee futures was 4,721 lots, most of which were traded in the morning session. July coffee closed just \$1 lower at \$1,830 a

Brank 2-month price (S per barrel)



Cocoa business was equally lacklustre; the July contract slipped £10 but eventually ended the day unchanged at £1,133 a tonne, on volume of 5,744 lots.

Activity on the London Metal Exchange was enervated, with all base metals looking for direction.

Three-month copper traded between \$1,640 and \$1.678 a tonne before finishing at \$1.676, up \$14 from Tuesday's close.

Renewed anxiety over the economies of south-east Asia helped depress sentiment. Brokers GNI said "continued weakness on the ven. which is dragging regional currencies with it, coupled with the austerity package in Russia, labour unrest in South Korea and weakness in the Dow are likely to add to the willingness of the [investment] funds to short

Brazilian bid for inclusion by the CSCE under fire

Other coffee producers fear an extension of the country's hegemony in the world's markets, writes Jonathan Wheatlev

added to the coffees deliverable against the "C" contract at the Coffee, Sugar & Cocoa Exchange in New York, the main global marketplace for such arabicas, seemed reasonable enough

However, the move has attracted protests from rival producers, some of which regard it as another extension of Brazilian hegemony in the coffee world and as politically unacceptable.

The Brazilian exporters maintain that their coffee meets the contract's criteria and that Brazilian growers are put at an unfair disadvantage if it is not included in the list. In principle, the CSCE agrees. Its coffee committee has recommended inclusion and its board of managers is receiving and examining comments.

But in practice the issue is not so straightforward. Col- of as much as 25 cents a bag ombia says Brazilian coffee to the "C" while some comis of such different quality

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razilian coffee export- from that of other countries from Central America, say Brazilian coffees would flood the market and push prices

> Their arguments have some foundation. The inclusion of Brazilian coffees might encourage more Brazilian growers to switch from unwashed to washed arabicas, thereby depressing prices. Brazil is expected to produce about 35m 60kg bags of coffee this year, of which about 1.2m bags will be

washed arabicas. The rest are mostly unwashed arabicas: coffee beans dried in the open air in a process peculiar to Brazil among the big producers. Such coffees tend to be of

a lower quality. They are traded outside the CSCE, though the "C" contract is often used as a benchmark. Most are sold at a discount mand small premiums.

Precious Metals continued

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80LD COMEX (100 Tray az.; \$4tay az.)

Jorge Esteve, president of ers' bid to have their that it must not be included. Abecase, one of two rival organisations representing Brazilian exporters, says access to the "C" would have little impact on supply.

"Producing washed arabicas is an option for Brazilian growers whether they are quoted on the CSCE or not," he says, arguing that prices are set in the physical

n the question of quality, he accepts that Bra-zilian coffees would trade at a discount to the 'C" - indeed, the CSCE's coffee committee suggests a discount of 4 cents a bag. He says other objections, that Brazil's inclusion would make prices less stable, are simply wrong: bigger volume would promote stability, especially given the seasonal differences between harvests

in the northern and southern hemispheres. Ruben Pineda, director of El Salvador's coffee council, for coffee traders," says Law-says the "C" contract was rence Eagles, head of

GRAINS AND OIL SEEDS

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anelon: Brazil says bigger trading volumes on the CSCE would promote price stability

ent quality. He suggests all Bradilan coffees should be traded together on the CSCE in a resurrected version of the extinct "B" contract. "No, no and no," says Mr

Esteve. Unwashed coffees, maintains, are best traded on Brazil's commodities and futures exchange. the BM&F. It plays a secondary role on global markets. but is working on building its profile.

Some observers see few problems in Brazil's move. Anything that increases liquidity has to be beneficial

SOFTS

research at GNI, the UKbased commodities house. But others suggest producers' feura reflect a reluctance to witness a further extension of Brazilian hegemony in the coffee world.

hey say it already domi-

nates the Association of

Coffee Producing Countries and the International Coffee Organisation, the industry's big international bodies. To those who already feel overshadowed by Brazil. its access to the "C" would be politically unacceptable. Whatever the CSCE

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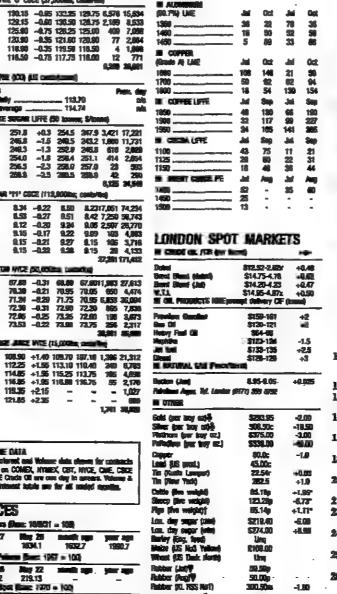
sion on the Tokyo Grain Eschange - a controversial move because, were Brazil to win its case, it would tend to take volume from New York, although Mr Esteve says this decides, nothing is expected He hopes to get the go-ahead to change for the next two

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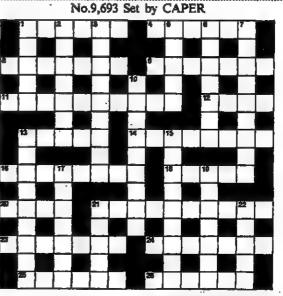
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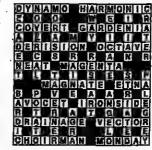
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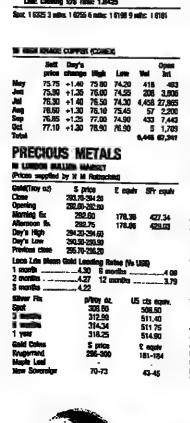
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teous (?) 19 Broadcast heroic and, ultimately, brave farewell (7) 21 Dislikes being heartless,

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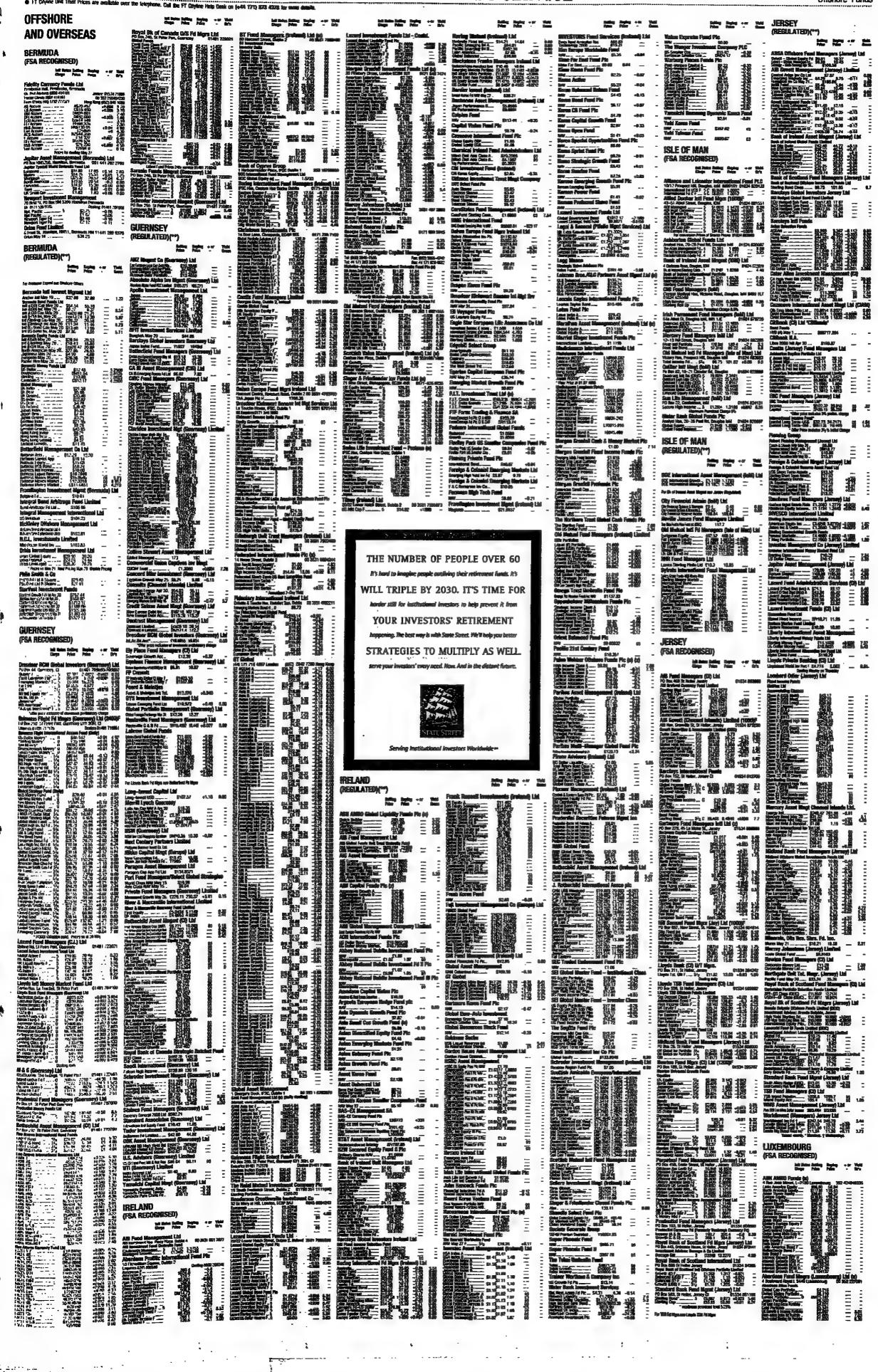
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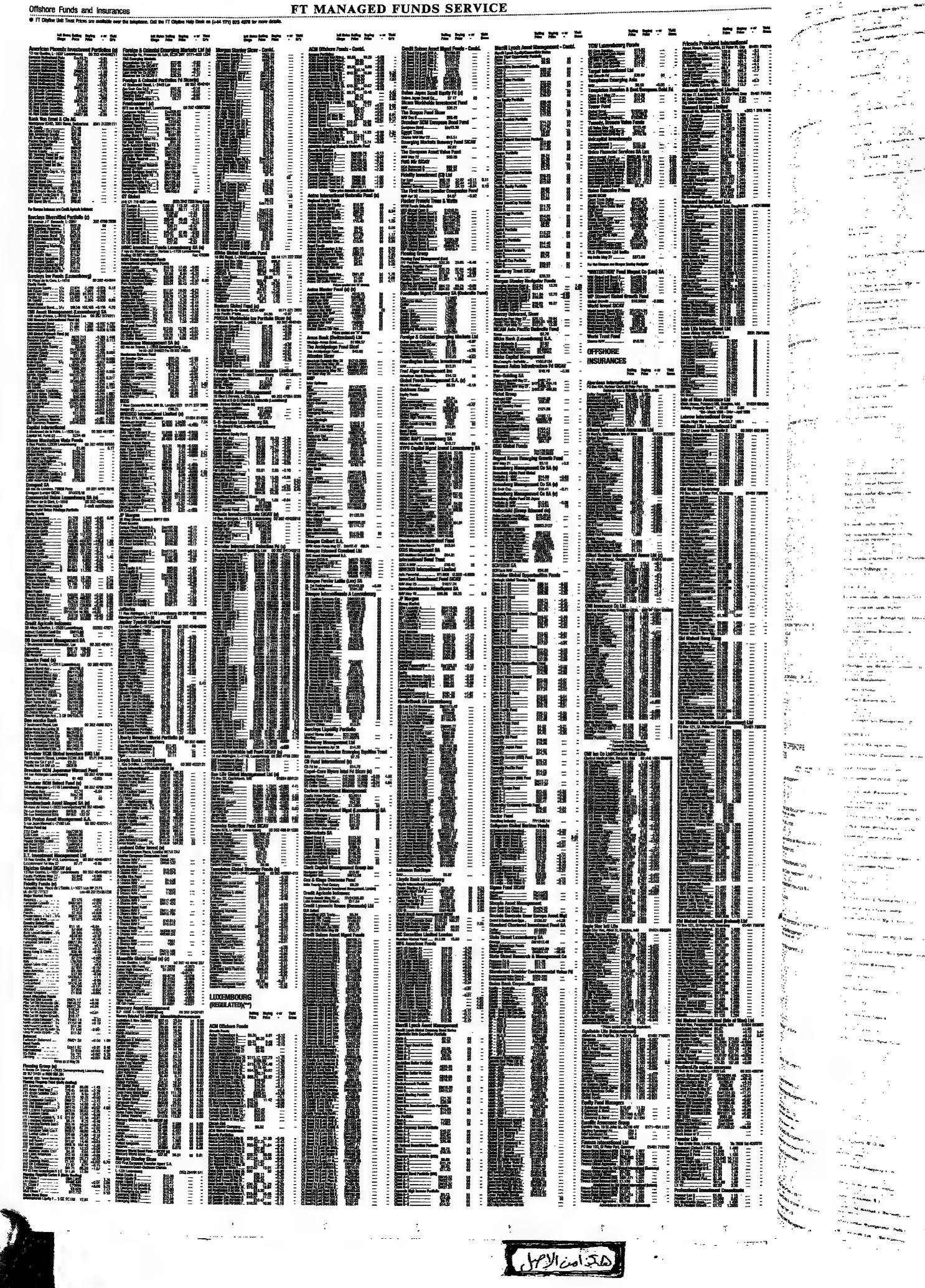
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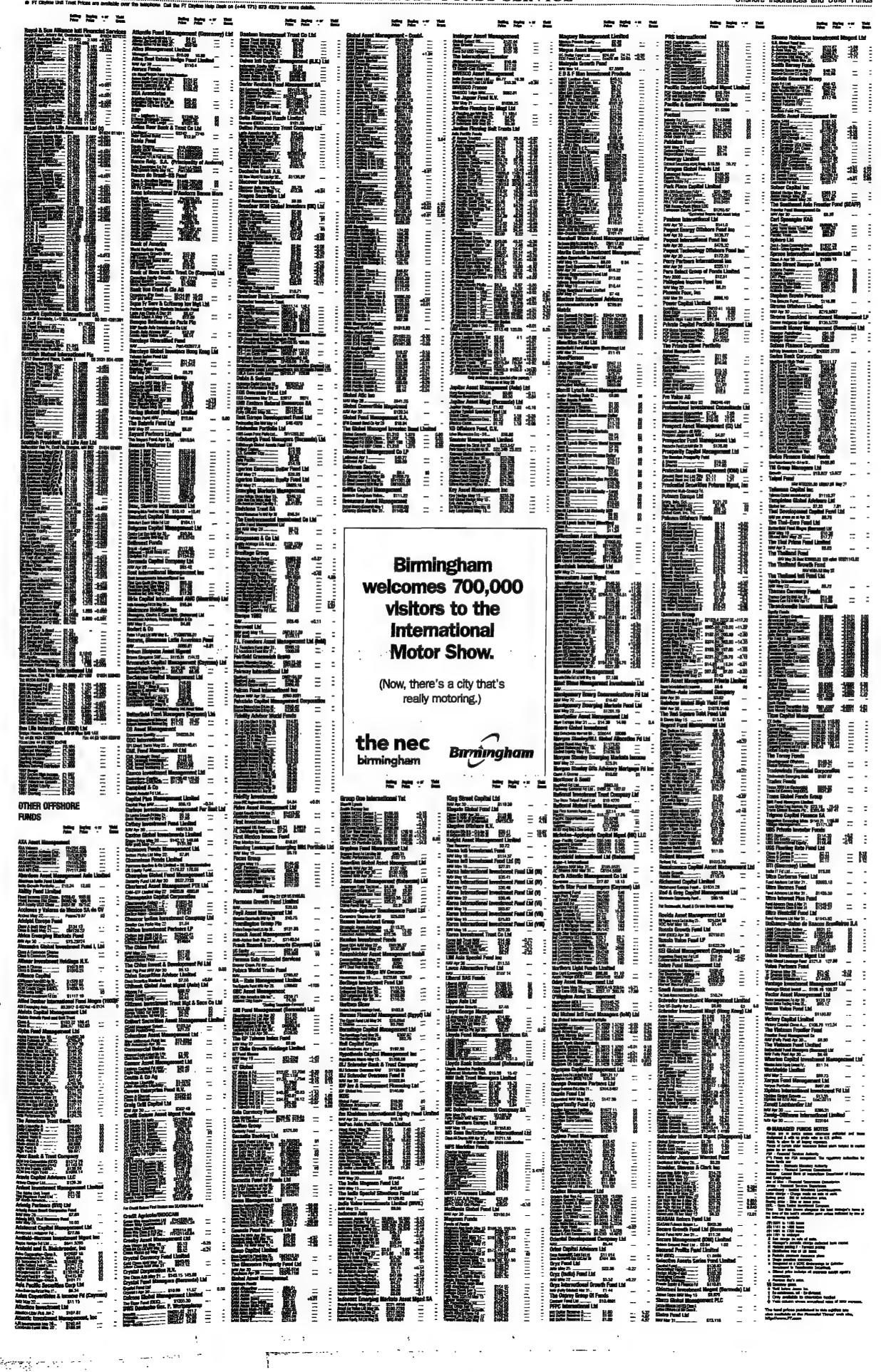
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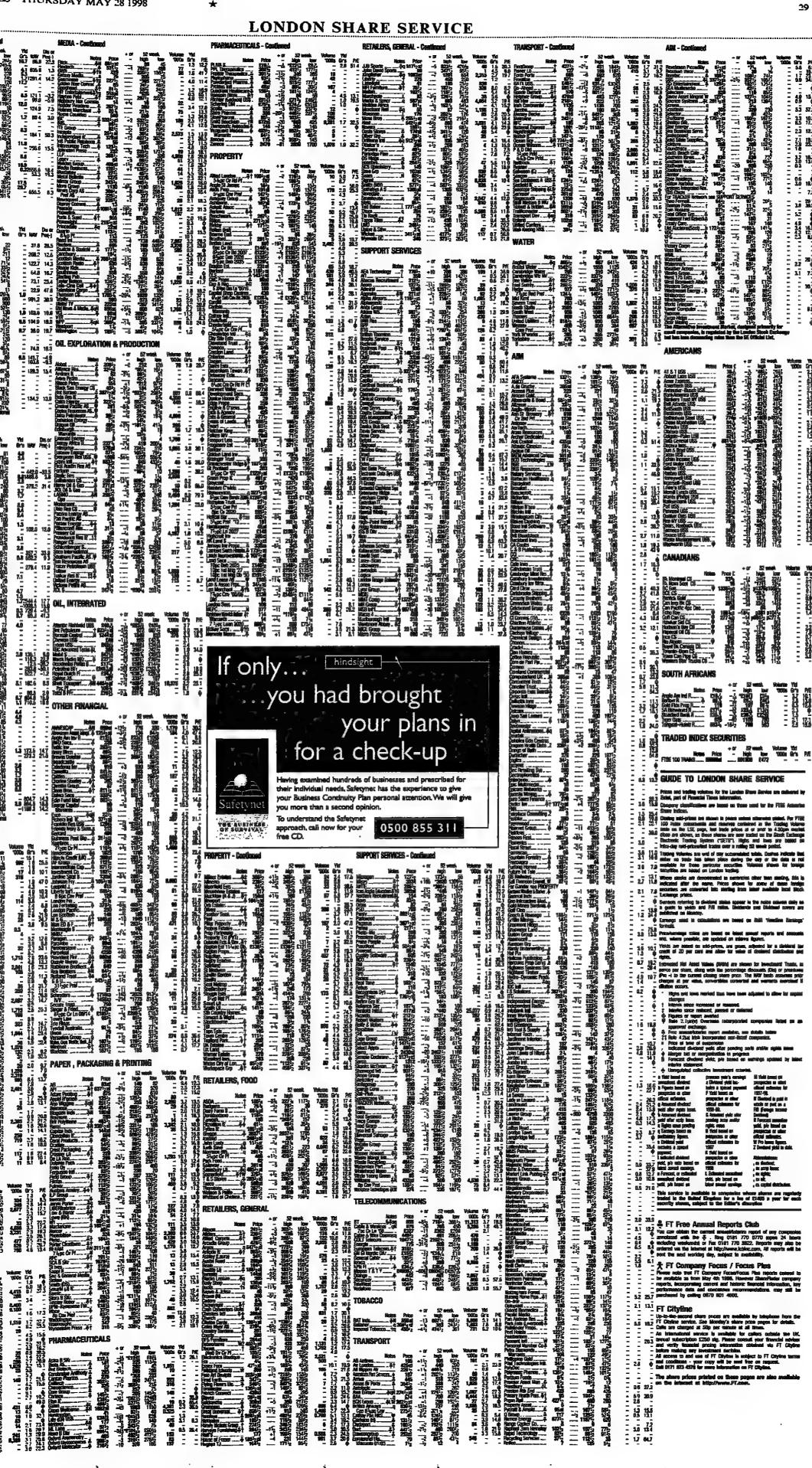
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Footsie succumbs to worldwide equity sell-off

MARKET REPORT By Philip Coggan, Marketa Editor

The wave of selling that swept around world stock markets caused share prices 2-3 per cent. in London to capsize yester-

100 index for a month. Shares were on the defen-Street's 150-point fall on consumption may prove in Hong Kong, as worries earnings numbers as with the Dow Jones Indusmounted about a recession in the former British colony.

During the day, there were further worries from Russia, where the central bank tripled interest rates in order to defend the rouble, and bourses, which dropped by

Mervyn King, the Bank of day, prompting the first England's chief economist, did not help sentiment by saying to the Building Societies Association conference sive from the outset: Wall that there was "a risk that affect Tuesday was followed by a stubbornly buoyant" and by drop of more than 5 per cent referring to recent average "undoubtedly disappoint-

The comments increased minutes. A rally failed to have repeatedly outperinvestor nervousness before next week's monetary policy committee meeting. In April, Mr King was one of the three rate increase.

Mr King's comments weighed on the gilt market, which finished slightly lower on a day when world bond markets were generally benefiting from the "safe haven"

don, Wall Street opened sharply lower once more, trial Average falling more than 90 points in the first 10

ing but ended the day 5

Heavily weighted banks

lower at £10.25.

145p to £17.10.

hold and at the London close formed the Footsie in recent the Dow was 115 points seemed to be feeding on 19.5 to 2,773.2. The 250 index from other European MPC members to vote for a itself, with weakness in one region being passed on to another.

All this bad news meant that, once the UK market had dropped 100 points after the first hour of trading, it showed a three-figure loss for most of the day. At its As the final straw for Lon- worst, Footsie was 133.8 points lower at 5,836.9. By the close, the loss was 100.5 to 5,870.2.

Even the FTSE 250 and a while and until we see a SmallCap indices, which significant event, it is hard

sessions, suffered in the carlower. The world market nage. The SmallCap shed lost 40.1 to 5,880.8, but still finished higher than the 100 index for the first time since

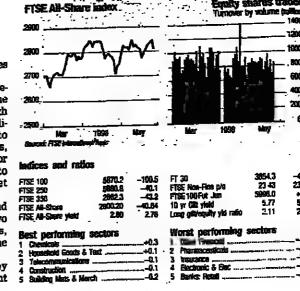
> May 1997. Richard Crehan, UK strategist at Morgan Stanley, said Footsie seemed to be stuck in a 5.800-6.000 range. "A lot of people anticipated a market advance to 6,000 this year, but it got there within four to five months. Interest rates look likely to be flat for

to see what will drive prices out of the range."

Individual company move ments were swamped by the overall market fall, although two index entrants - Halifax, which is just about to join the MSCI, and Misys, which recently qualified for the Footsie - managed to rise against the market trend.

Banks, notably HSBC and Standard Chartered, the two with strong Asian links, were among those taking the

Volume was 858.8m by 5pm, of which 53 per cent was in non-Footsie stocks.



Airtours loses height

COMPANIES REPORT ly Steve Thompson

was given a thorough shaking in the market after institution revealing disappointing holdings. interims and worrying news about trading.

Interim losses are a common feature for holiday groups because of the cyclical nature of the sector.

Analysts said they expected to reduce their current-year estimates by about 8 year estimates by about 8 per cent.

The shares finished 35 lower at 486 ap.

Buying interest built up substantially in Granada. the leisure and hotels group. whose shares made gradual progress to finish the session 16 firmer at £11.35 amid increasing speculation that the company might be about to reveal an acquisition. "Focused acquisitions are viewed as market positive, said one specialist.

Misys was one of a host of software stocks making fur ther rapid progress in the market. The first software group to be included in the FTSE 100, Misys shares were rampant up until inclusion, only to fall away as investors took profits. But many dealers regard the shares as

oversold; they closed 166 higher at £35.34.

Halifax topped the list of Footsie performers ahead of the stock's inclusion in an index of the world's leading companies. The shares jumped 48 to 923p in spite of reports of a failed merger approach to Royal Bank of

Halifax will be added to Morgan Stanley's index of the world's 1,575 leading companies at the close of trade on Friday. Analysts said trade was active as institutions tried to top up

Meanwhile, Royal Bank of Scotland rose in earlier trad-

May 27 May 26 I

STOCK MARKET TRADING DATA

led the FTSE down with Barclays shedding 42 to £16.50 and Abbey National off 12 at £10.61 HSBC, with its heavy Hong Kong exposure, lost 109 at £15.31 and Standard 40% to 772p. Schroders fell

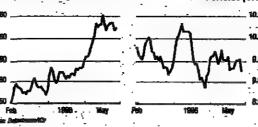
Support services group Rentokil Initial rose 2 to 417p as investors took advantage of Tuesday's losses in the stock and bought the shares in the hope of the company returning superior Analysts said Rentokil

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SEAL borgame	76,010	67,825	97,675	62,586	63,559	42,622
FORTY DIRECT ENG!				-	3054.6	2370.0
Equity bargains?				-	52,948	39,418
Shares traded (m);			-	-	748.9	703.4
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Best and worst performing FISE sectors



shares had been buoyed by the company's ability to fulfil its pledge of 20 per cent earnings growth per year. Earlier in the week Panmure

Gordon published a big sell" note on the company. Oil shares were comparatively solid as oil prices recovered slightly on optimism about the forthcoming meeting of the 11-member 377%p. Volume in Desire was Organisation of Petroleum Exporting Countries. Former Saudi oll minister Sheikh Yamani said Opec would have to cut output again to stabilise prices when it meets in Vienna next month.

A speech by Mr Yamani said that if Opec wanted to stabilise Brent at around \$14 restrain output to 27m bar-

BP fell 51/2 to 9231/2p, Shell Transport dropped 7% to 445%p and Lesmo, which has been buoyed by its exposure to potential in the Falkland islands, slipped 2 to 295½p. Lasmo announced further encouraging drilling success in its operations in Pakistan and Libva, the former find-

ing new gas reserves and the latter more oil.

Desire Petroleum, the London market's latest hot stock, with intense speculation about its drilling operations off the coast of the Falkland Islands, encountered a fresh dose of profit-taking to finish the day a net 67% lower at 771.000 shares.

Anglian Water bucked the trend as it launched the water and sewerage company's results with a slight rise in profits and a 13 per cent dividend increase.

The shares closed marginally higher at 865%p after rels a day. A survey for the company boosted its April pegged output at total dividend to 39p per around 28.2m barrels per share, it also announced that profits for the year to March of £267.8m were up from £357m and within expectations.

> enthused by the company's plan to return up to 8 per cent of its capital to shareholders in the form of a "B" share issue to compensate on its balance sheet for the effect of 18.6m warrants maturing in August and an enhanced scrip dividend

The city had expected the sector to keep a low profile in the current spate of results as a new structure for price caps is currently under discussion with industry regulator Ofwat and icant issue".

should be implemented in

2000 for five years. South West Water and Yorkshire Water, which also report annual results this week, edged higher, South West by a penny to 956p and Yorkshire by 3 to 476p.

Mining group Billiton dropped another 31/2 to 1521/4p as a large line of stock continged to overhang the market following an attempted placing by Dresdner Kleinwort Benson.

The broker bought about 4.8 per cent in Billiton recently from Sanlam, the South African mutual insurer, and undertook a placing with institutional clients. It was reported that it had not placed all of the stock and was understood to be holding around 60m

A spate of results and trading news from the retail arena saw Kingfisher down 7 at £10.83, after the 5.9 per cent increase in sales during the first quarter.

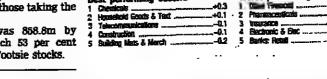
Allders edged up 3 to 239p on news of the almost 5 per cent lift in sales in the first seven weeks of the trading

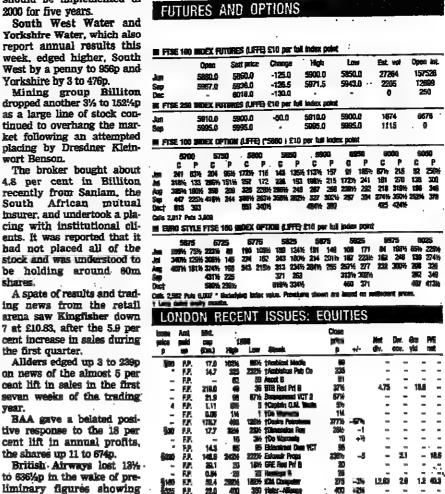
BAA gave a belated positive response to the 18 per cent lift in annual profits. the shares up 11 to 6740. British Airways lost 18% to 636%p in the wake of pre-

per cent, badly affected by sterling's performance over the past year and more. Clearette maker Gallaher eased to 309%p as the compeny told shareholders that sales fell in the domestic cigarette market by more than

profits down an expected i

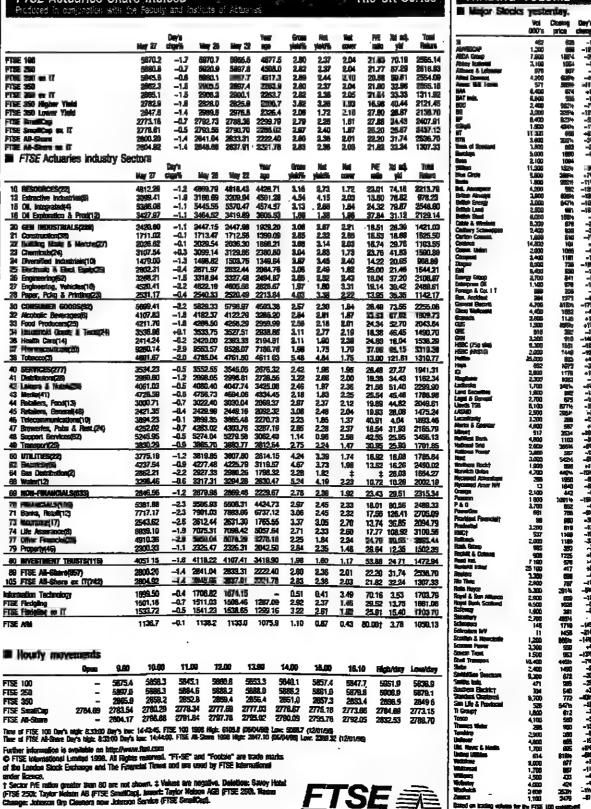
4 per cent during the first three months of this year. Chairman Peter Wilson said he believed the market "may well be roughly flat," because "bootlegging" of tobacco from mainland Europe, where government taxes are much lower than in Britain, remains a "signif-





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16 Di Exploration & Prod(12) 20 GEN NEXUSTRIALS(22)6		127.97 120.60	-1.1	3464.52 3447.15	3419.8 2447.9			1,38	1.98 2.21	37.84 -18.51	28.39	2129.14 1421.03	Bethin Stant Cathle & Winning	8,000 8,300	100h 679	-7
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40 SERVICES(277)		34.23	-0.5	3552.55	3545.05			1.98	1.95	26.48	27,27	1941.31	Haps G	892 2,800	155 1673	+40 -27
41 Distributors(28)	29	69.60 61.03	-1.2 -0.5	2998.05 4080.40	2996.81	2728.5	6 3.22	2.66 1.97	2.00	19.38 21.56	34.43 51.40	1162.34 2299.90	Hagheir Latholo	2,300 1,700	1778 1083 3485	+18 -7
43 Medig(41)	47	28.59	-0.6	4756.73	4694.08	4334.4	5 218	1,83	225	25.54	45,46	1788.95	Land Securities Legal & Opropial Library TSB	1,900 2,700	675 675	-12 -13
44 Relatiers, Food(13) 45 Relations, General(48)		00.71 21.35	-0,7 -0.4	3022,40 2429,98	3030.04 2449.16	2092.3	2 3.08	2.37 2.48	2.12 2.04	19.89 19.53	44,82 28,08	2049.61 1475.24	LASMO	6,100 2,500	2051	-12
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73 Macrone (17) 74 Life Assertance (8)		43.52 89.10		2812.44 7075.31	2631.30 7098.42			3.05 2.33	2.70 2.60	13.74	36,85 108,92	2094.79 3100.56	Productus Productus RMC†	38 1200	619 619	-35 -37
77 Office Francision	49	10.36	-29	5650.04	5074.39 2326.31	\$270.1	2.25	1.84	2.24	24.79	10/20	200.44	Rutheri Ratik Grosp	537 2,000	1189	-17
79 Property(45) 80 INVESTMENT TRUSTS(115)		00.33 51 15	-1.1 -1.6	2325.47 4118.22	4107.41			2.35 1.60	1.48	29.64 53.88	12.35 24.71	1502.39	Richall & Columns Read lost	985 908 7 190	1225	47.41
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NOTICE OF MEETING OF NOTEHOLDERS GATIC S.A.I.C.F.I.A. (the "Issuer") Notice of meeting of the holders of the outstanding US\$40,600,000 7% per cent. Notes due 1997 of the Issuer ders" and the "Notes" respectively) s competited by the lesser will be held at the offices of Sim

Proposal which will involve suce state in excess of new notes of the Issuer due 2005 in registered form, in exchange for the bearer Notes, rights in respect of which will be suspended pending cannolisation, all as more particularly described in the Proposal Document is defined below.

Extraordinary Resolution

"THAT this meeting of the holders of the outstanding USS-91/011/01/07 per cont. Notes due 1997 of Carle S.A.L.C.P.L.A. (the "Notes" and the "faster" respectively) constituted by a trust deed dated 27 January 1993 (the "Trust Deed") and made between the Lawer and The Law Debenture Trust Corporation p.L.e. (the "Trustee") as trustee for the holders of

the rough from time to time (the "Notaholders") hereby

1. approves and sunctions the Proposal (as defined and more particularly described in the proposal document published by the lanuar on or about 23 May 1998, a copy of which has been produced in this meeting and intuitied by the chairman hereof for the purposes of scientification (the "Proposal Documents");

2. approves each of the Rescheduling Documents (as defined in the Proposal Document), approves and sentions the concurrence in and execution of the Rescheduling Documents to which it is expressed to be a party by the Trustee in each case in the form of the draft or copy which has been produced to this necessing and initialled by the chairman hereof for the purposes of skentification completed in such manner and with such amendments thereto (if any) as the Trustee shall all is absolute discretion approve or require sed standards approved to require sed standards and asserts to the modifications of and variations to the Trust Deed, the Notes and the Agency Agreement is a defined in the Trust Deed) and the inside of the Series 2 Notes (as defined in the Proposal Document), all as returned to in antifers to be effected by the Rescheduling Documents.

constant on the Proposal Socialization of the approximate of the approximate of the abligations of the Instant under the Against Agreement, the Rescheduling Documents of the Proposal Documents the suspension of the obligations of the Instant under, in relation to or in respect of each of the Notes and Original Coupons as defined in the Trust Deed, whether any such obligation shall arise under the Notes, the Original Coupons, the Trust Deed, the Against Agreement, the Rescheduling Documents or otherwise, and the suspension of the rights exercisable under, in relation to or in respect of each of the Notes and the Original Coupons by the Trustee, the Noteholders or the holders of the Original Coupons the "Couponbolders", whether such rights shall arise under the Notes, the Original Coupons, the Trust Deed, the Against Agreement, the Rescheduling Documents or otherwise.

sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Trustee, the Noteholders and the Couponholders against the last other or others of them or against any of their property switcher such rights shall arise under the Notes, the Original Coupons, the Trust Dond, the Agency Ages otherwise as may be necessary or expedient to carry out or give effect to this resolution and

onser the Trustee to concur in and execute and do all such deeds, in cruments, acts and things as may be necessary or expedient to carry out and give effect to this resolution.

Details of the background to the above Estraordinary Revolutions are consisted in the Proposal Document. The Proposal Document and not used more particularly describes the Proposal Copies of the Proposal Document are available for collection by the Noteholders at the specified office of the Principal Paying Agent set out below. Drafts (subject to amendment and completion) of the Rescheduling Documents (or, if any of the Rescheduling Documents shall have been entered ione, copies thereof) and copies of the Trust Deed are available for impaction by the Notchoklers at the specified office of the Principal Paying Agent.

The attention of Notebolders is in particular drawn to the quonim required for the meeting and for any adjourned meeting, which is set out in paragraph 2 of "Voting and Quorum" by In accordance with normal practice, the Trustee expresses no opinion on the ments of the Extraordinary Resolution or of the Proposal but has authorised it to be stated that, on the basis of the information set out herein and in the Proposal Document in respect of which information the Trustee has not carried out any independent verification and responsibility for which in accepted by the Issuer as set out in the Proposal Document), it has no objective to the Extraordinary Resolution being submitted to the Noneholders for their consideration. Voting and Quorum

Voting and Quorum

1. A holder of one or more Notes, wishing to attend and vote at the Meeting in person most produce at the Meeting either the Notes), or a valid voting certificate or which he wishes to vote.

A holder of one or more Notes not wishing to attend and vote at the Meeting in person most produce at the Meeting or the Notes) in respect of which he wishes to vote.

A holder of one or more Notes not wishing to attend and vote at the Meeting in person may either deliver his Notes) or voting certificates) to the person whom he wishes to attend on his behalt or give a voting instruction through Euroclear or Cedel or on a voting instruction form obtainable from the specified offices of the Paying Agents instructing a Paying Agent to suppoint a provy to attend and vote at the Meeting in of a specification in accordance with his instructions.

A holder of a Note may obtain to voting certificate in respect of such Note by deposition by any obtain a voting certificate in the past of such Note from a Paying Agent or require a Paying Agent to issue a block voting instruction in respect of such Note by deposition for the Note with such Paying Agent or its of the Paying Agent or its of the Paying Agent or its of the Note being held to its order or under its control (which shall include being Note) as eccurities account at Euroclear or Cedel), in each case not less than 48 hours before the time for which the Meeting or any adjourned such Notes will cease to be voting certificates to the Paying Agent who resued the same or in the case of a block voting instruction; the surrender to the Paying Agent on less than 48 hours before the time for which the Meeting or any adjourned such Meeting, and the interest of each such deposited Note which is to be released or tax the case may require) the Note or Notes coasing with the agreement of the Paying Agent in respect of each such deposited Note which is to be released or tax the case may require) the Note or Notes coasing with the agreement of the Paying Agent to be held to

Every question submitted to the Meeting will be decided in the first instance by a show of bands and in case of equality of votes the Chairman shall both on a si-on a pull have a casting vote in addition to the vote or votes (if any) to which he may be epitified as a Noteholder or as a holder of a voting certificate or a

At the Meeting or any adjourned Meeting unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman, the Isaner, the Trustee or any person present holding a Note or a voting certificate or being a proxy or representative (whatever the principal amount of the Notes so held or represented by him) a declaration by the Chairman that the Estraordinary Resolution has been carried or carried by a particular majority or lost or not curried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

At the Meeting or any adjourned Meeting (a) on a show of hands every person who is present in person and produces a Note or voting certificate or is a proxy or representative shall have one vote and its on a poll every person who is so present shall have one vote an espect of each USSI or such other amount as the Trustee may in its absolute absention stipulate in principal amount of the Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy or representative or in repect of which he is the holder. Without prejudice to the obligations of the proxies named in any block voting instruction or form of proxy any person critical to more than one rate need not use all his votes or cast all the votes to which he is entitled in the same way.

The provies named in any block voting instruction or form of provy and representatives need not be Notebolders. The Extraordinary Resolution, if passed at a meeting of the Noteholders duly convened and held in accordance with the Trust Deed, shall be building upon all the Noteholders whether present or not at such intecting whether or not voting and upon all Coupon holders and each of them shall be bound to give effect thereto accordingly and the passing of

any such resolution shall be conclusive evidence that the circumstances justify the passing thereof.

To be passed, the Extraordinary Resolution requires a graphing in favour consisting of not less than three-fourths of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three-fourths of the votes east on such poll. Terms defined in the Trust Deed will have the same meaning when used berein.

Registered Office: Avenida Eva Peron 2535 San Martin, Buenos Aires, Argentina Dated 23 May 1998

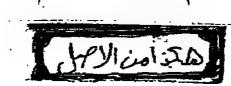
Principal Paying Agent

Other Paying Agent real, L-2955 Lustembo

By order of the Board of Directors of Gatic S.A.I.C.F.I.A.

Notcholders whose Notes are held by Euroclear or Cerici should connect the following for further information: for Cedel: Custody Operations Department (Tel: Luxembourg +352 448 821 Teles: 2791)

THIS NOTICE IS IMPORTANT IN NOTEHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE IN RESPECT OF ANY ASPECT OF THE EXTRAORDINARY RESOLL'TION THEY SHOULD CONSULT THEIR STOCKLIROKER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER WITHOUT DELAY.



	FINANCIAL TIMES THURSDAY MAY 28 1998 *	31
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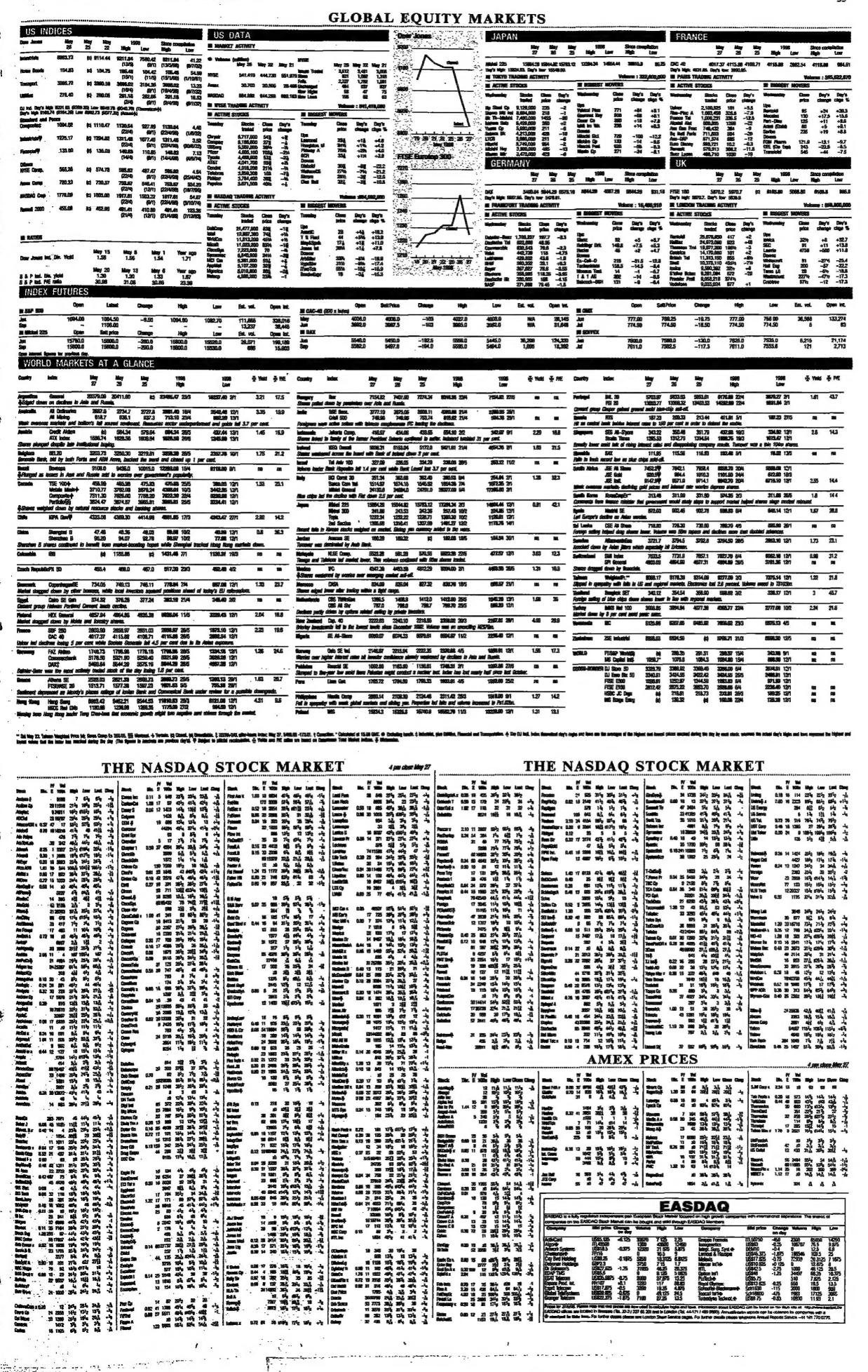
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STOCKOMARKETS

Bears bring record runs to grinding halt

WORLD OVERVIEW

The bears were out in force vesterday as Tuesday's late plunge on Wall Street and renewed economic worries in Asia and Russia sent share prices tumbling, writes Philip Coggan.

The 150-point fall in the Dow Jones Industrial Average on Tuesday - partly linked to earnings worries - in the spotlight. The Hang set a discouraging tone for Asian markets. Adding to

the downgrade by Moody's mists in the HK region have Kong remain high. This will of the credit rating of five

Then a warning from reflect the growing economic Hong Kong chief executive reality. Despite heavy down-Tung Chee-hwa that economic growth could be negative and the announcement of a 12 per cent fall in annual retail sales meant Hong Kong briefly replaced Korea as the Asian market Seng index fell 5.3 per cent.

The global team at BT

adjust their forecasts to grades, analysts have yet to factor an outright recession into their earnings fore-

BT Alex Brown adds that Chinese economic growth is the renminbi remains a risk "As a result of this risk,

European equities, which

highs in recent sessions,

were in headlong retreat yes-

terday with Frankfurt, Mad-

rid and Milan all tumbling

more than 3 per cent.
FRANKFURT ended just

above its low for the session.

The Xetra Dax index was off

173.01 or 3.1 per cent at 5,466.88 at the close of elec-

tronic trading. Financials led

to DM152.90 and Dresdner

Bank came off DM3.75 to

DM99.10 as investors fretted

about the sector's exposure

Allianz shed DM18.90 to

DM573.50 in spite of reveal-

than \$50bn. Munich Re gave

Among leading industri-

als, Daimler Benz was

DM3.50 to DM196. Technol-

ogy stocks were mixed. SAP lost DM50 at DM955.10, but

Deutsche Telekom turned in

a defensive performance,

dipping a modest 90 pfg to

Salomon appeared to suffer

from unfortunate timing,

slipping DM4.80 to DM318.50

Banks were in the thick of

the action with Societé Gén-

érale and BNP, which are

thought to have a combined

than \$10bn, soaking up

on news of promotion to the

up DM23.50 at DM816.

tsche Bank fell DM6.60

the way down.

to Asian lending.

been probing record

been exceptionally slow to undermine hanking and ket dropped 10:8 per cent in number of bearish signs, property stocks. Together response. they account for two-thirds of the Hang Seng index. Wall Street, with the Dow and small-cap stocks and With property developers now engaged in a price war, the outlook for the Hong

Kong market is bleak," it

Europe had its own casualty in Russia, where speculation about the devaluation of the rouble prompted the central bank to triple inter- proportions of his model per cant in dollar terms short-term rates in Hong est rates from 50 to 150 per portfolio and raise the cash since the start of the year.

Spain leads Europe's retreat

including deteriorating mar-Another week opening on ket breadth, lagging medium

troubles in tech stocks. falling more than 100 points And Barton Biggs, the Morgan Stanley strategist, the US and emerging market

All of this had an inevitable impact on European bourses. Losses were in the 23 per cent range in most markets, bringing the record-breaking runs to an abrupt halt. European markets have gained around 27

EMERGING MARKET FOCUS

Rand takes on the speculators

An increase in official South Africa interest rates in South Africa, triggered by the fragile rand, has cut a swathe. through the Johannesburg stock exchange this week.

For most of this year, equities have roared ahead as investors discounted a rosy interest rate scenario - with possible cuts of up to two rcentage points in key official rates, according to James Scott, at Société Générale Frankel Pollak.

However, the picture has changed dramatically this week with the Reserve Bank going to war against currency speculators.

Analysis are warning banks might have to raise public if the turnoil in the currency market persists. Banks are trying to hold

the turbulence is temporary. "If the repo rate remains this high for more than a week, it is likely banks will Gordon Smith, analyst at Deutsche Morgan Grerifelt.

The all shere index reached a peak of 8,373.6 on April 21 - 35 per cent up on. its opening level this Although the record high was followed by a spall of profit-taking, the underlying sentiment remained builtsh as foreign investors contininterest rate story.

As if the sudden change in the interest rate outlook negative news built to gale- were not enough, the gold price also refused to play ball. The bullion price has dipped below \$295, putting

Determined to stave off a: pressure on gold shares. foreign exchange run on the . The downturn on world day and the all share index closed 889.9 or 5 per cent lower at 7,452.2, taking its liberes in two days to almost

margins. The financial index plunged 742.6 or 5.5 per cent to 12,712.8, bringing its decline to almost 7.8 per cent in two days.

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The financial index peaked at 14,739.1 in mid-April, having soared 45 per cent from the beginning of the year. Big financial mergers and

The outlook for equities depends on the rand's ability bank has managed to keep the rand at about REAL to the dollar, a loss of little more than 1 per cent in the past two weeks, but at great cost to its already threadbare gold and foreign

as possible, trying to protect the currency through inter-

Analysis are worried that spent as much as a third of

Kevin Brady at brokers Barnard, Jacobs, Mellet said: "The crucial issue for the markets is the amount of forwill take a dramatic knock.

...

Combined on the

4.5

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US equities slide below 8,900 level

Worries about Asia and US corporate earnings put Wall Street on the spot for a second day, sending the Dow Jones Industrial Average back below 8,900, writes John Labate in New York

By early afternoon the Dow Jones Industrial Average had lost 105.38 or 1.18 per cent to 8,858.35, while the broader Standard & Poor's 500 index was down 10.17 to 1,083.85. The Nasdaq composite was off 24.16 at 1,753.93.

As the market experienced a second day of sharp losses, analysts were left to debate whether a widespread correction in US shares was

Some believe the current downward slide will coax buyers back into the market. Arthur Hogan, chief market analyst at Jeffries & Co in Boston said 8,850 was an important technical level for the Dow and one worth

"If we can close above that, it is a strong signal that the worst is behind us,"

Analysts were focusing more on rising worries in

'We're seeing a blueprint in front of us of how financial crises deepen and spread," said Hugh Johnson, chief investment officer at First Albany, "There's a lot of work that needs to be done to restore confidence in markets in Indonesia, Japan,

Russia, and elsewhere." The flight out of equities sent bonds higher for a secin the Dow, International Paper came off \$1% to \$47%, while Sears Roebuck fell \$11

Netscape Communications bucked the trend, rising \$12 or 5 per cent to \$251 as of a break-even result for the

quarter ending April. Most internet shares followed the general market lower, however, sending the American Stock Exchange's

Computer parts maker Iomega lost \$1 to \$64 after the announcement that the company's chief financial officer had resigned.

Transport stocks also traded lower. Northwest Air lost \$2% to \$46, while AMR fell \$4% to \$148%.

TORONTO fell steeply, hit Street and a slide for the bullion price that sent the heavyweight golds sector

At the noon calculation, the 300 composite index was down 112.96 or 1.5 per cent at

the board. Barrick fell 40 cents to C\$28.25 and Placer Dome came off 20 cents to

about higher interest

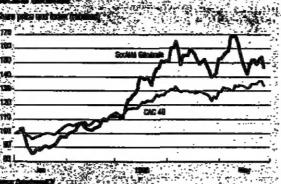
shed 80 cents to C\$85.50 and sector 104%, sending the yield down Scotla lost 25 cents to to 5.821 per cent. C\$37.95.

BNP came off FFr20 to FFr504. LVMH, which has a large customer base in Asia, gave up FFr56 at FFr1,236. Usinor, a strong market

> fell FFr5.50 to FFr101. the news that the group

FFr.2151 in spite of a fore-cast of minimum profits growth of 20 per cent for this

ZURICH also saw large losses among the heavy- lier before weight financials, and the meeting.



SMI index ended with a decline of 98.4 at 7.633.5. UBS shed SFr56 to SFr2,517 and SFr826.50. Swiss Re ended off

SFr35 at SFr3.347. Among industrials, ABB dipped SFr25 to SFr2.500, but suisse continued to push higher on rumours of imminent corporate activity.

Ems-Chemie and Group, two aggressive Swiss investors, have between them built up a stake of more than 16 per cent in the eluminium group.
AMSTERDAM closed

lower on options-related selling by private investors, and the AEX index fell 18.69 to Fortis, the Belgo-Dutch

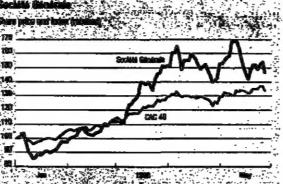
bank, fell Fl 3.90 to Fl 123 in spite of a higher-thanexpected first-quarter earnby its bid for Generale Bank of Brussels, following ABN Amro's counter bid on Tues

ABN, the most active issue of the day, fell Fl 1.30 to Fl 50, while in Brussels, Generale rose BFr275 to BF127.075. KNP BT, the office prod-

ucts trader, bucked the trend and rose 60 cents to FI 113.60. by a sell-off in blue chips the Mibtel index SocGen lost FFr57 or 4.5 declined 745 or 3 per cent to 24,130.

Fiat fell L170 to L8,107 following an announcement that it would be selling its chemical unit Snia BPD through an offer to private and institutional investors. Snia declined L182 or 6.8 per cent to L2,508 as investors sell the unit to a single cor-

lier before its shareholder



MADRID was depressed by worries over Latin American financial markets and the general index lost 29.86 or 8.8 per cent to 872.6. Fears that. developing markets would be battered by the falls in Asia weighed on blue chips

with large investments in Latin America. Santander fell Pta300 to Pta7,690 and BCH declined Pta85 to Pta4,945. Telefonica, which was also hit by the announcement of its opposition to the government's proposed changes in telephone tariffs, declined Pts810 or 4.3

per cent to Pta6,850. Endess, the utilities major undergoing a privatisation programme, fell Pta185 or almost 6 per cent to Pta8,565.

STOCKHOLM lost ground led-by Ericsson, which was hit by Asian weakness. The general index lost 71.45 or 1.9 per cent to 3,640.97.

SKr220, while Astra, the drugs group, softened SKr3 to SKr161. Volvo. the car maker, lost SKr3 to SKr251. Profit-taking eroded earlier gains in spite of the launch of the S80 luxury sedan scheduled for today HELSINKI sank 2 per cent

Ericsson fell SKr6.50 to

as Nokia fell on Asian fears and forestry stocks were hurt by Tuesday's decline in the sector on Wall Street. The Hex index lost 106.92 to Nokia retreated PM7.50 to

FM362 while UPM-Kymmene, the forestry group, lost FM4.50 to: FM162.50. Enso eased FM1.40 brewer, lost FM4 to FM168 on uncertainty over the economic stability of Russia, one of its fastest-growing

MOSCOW continued to lurch lower as the flow of force levels following a dramatic increase for official interest rates:

rouble, the central bank 50 per cent to 150 per cent. At the close of trading, the RTS index was off 10.6 per cent to 187.23, its lowest level since late 1995.

Written and edited by Jeffrey Brown, Emiko Nicholas Miller.

ued to buy the South African exchange reserves. defending the rand. sees in two days to almost eign exchange the central bank has used. The figure will be released next with the market for most of the said if it is bed, confidence. of the market for most of the year, took the biggest yound-

São Paulo pulled lower

nomic shortcomings. Blue chips plunged and at the midsession count the Bovespa index, which had ther weakened by a poor tumbled 5.8 per cent on start for the peso in the for-Tuesday, was off 327 or 3.5

per cent at 9.110. sell side," said one broker. Among market heavy- cent lower.

Eletrobrás came off 2.3 per MEXICO CITY tracked

Wall Street lower in early trading, with sentiment fureign exchanges.
At midsession, the IPC

There is not a lot of vol- index stood at 4,845.69, a decline of 2.4 per cent or year. there is action it is all on the 107.89. The index ended Tuesday's session 3.4 per

ond day and US Treasury afternoon the benchmark 30year bond had gained ¼ to to C\$48.50. Bank of Nova per cent to FFr1,307 and

SAO PAULO continued to weights, Talebrás fell 3.2 per stream lower as stock mar- cent to R\$114.20 and Petroket shakeouts in Russia and bras 2.4 per cent to R\$2054. across Asia trained the apotlight on Brazil's own eco- cent to R\$34.69.

ume around, but where

benchmark Dax index. Heidelberger Druck fared better, rising DM7 to DM150 as investors learned that it had beaten car rental group second-tier MDAX index. PARIS fell 98.51 or 24 per cent to 4,017.87 on the CAC 40 index in below-average

C\$18.20. Teck Corporation lost 10 cents to C\$17.75. Financials were also in full flight, notably the banking sector, where sentiment has lately been marred by fears exposure to Asia of more

Royal Bank of Canada much of the selling in the Canadian Imperial 95 cents

lately on broker optimism

trading volume.

and Brazilian acquisitions, Synthelabo managed to avoid the backwash, adding FFr51 to FFr995 on positive broker comment following

Among lesser caps, Havas Advertising fell FFr36 to

plans to take control of a US drugs joint venture.

porate buyer. Olivetti was the most active issue of the day, falling L47 to L2,600, while Banca di Roma lost L63 to L8,637. Credito Italiano retreated L408 to L9,978 while Montedison fell L81 to 1.2.464 Benetton lost L687 to L38,350 on profit-taking. Its



Hong Kong hits four-month low

An official warning of 15,549.90. The Topix index of negative growth for the ter- all first-section shares lost ritory pushed HONG KONG 9.88 to 1,222.34. down to a four-month low. The news, combined with Seng index off 498.78 or 5.3 per cent at 8,983.43 in much improved turnover o

The warning of economic contraction came as retail per cent lower and sparked wave of scare stories about the contents of a government first-quarter economic report, due tomorrow. HSBC fell HK\$9 to

HK\$188.50 and Cheung Kong HK\$2.70 at HK\$42.50. Much of the day's selling count to the cash market at Indonesia.

yen weakness, bank credit Bank Y10 to Y426, Sumitomo rating downgrades and the overnight shakeout on Wall Street, writes Bethan Hutton

The Nikkel 225 average The Nikkel 225 average One exception to banking Suharto. Weakness in other retreated 3.9 per cent. The ended down 220.53 at gloom was Chuo Trust and Asian markets also All Ordinaries index lost 47.7 15,664.29, after falling from Banking, which was up Y11 prompted selling and the or 1.7 per cent to 2,687.0.

The banking sector was down 1.8 per cent as news of the steep overnight slide for Moody's downgrades for five US equities, left the Hang stocks, together with the

CHANGES ON THE	DA
%	chen
Hong Kong	-5,3
Karachi	-5.2
Bangkok	4.1
Jakarta	-3.9
Bombay	-2.5
Manija	-2.3
Sydney	-1.7
Kuala Lumpur	-1.6
Tokyo	
Taipel	
Channen	

was futures-driven with the watch-listing of a further May Hang Seng contract four, combined with general ending at a significant dis- worries over exposure to

Bank Y20 to Y1,305, Dai-Ichi Kangyo Y27 to Y840 and Industrial Bank of Japan Y20

to briefly hit a low of

gas sector was up 0.18 per cent, and land transport climbed 0.17 per cent. The continu ed weakness of

Honda Y30 to Y4,690 and Toshiba Y17 to Y592, but ment lost Rp100 to Rp2,900.
Toyota was unchanged at BANGKOK lost 4 per cent Toyota was unchanged at Hitachi lost Y2 to Y954 in share buy-back. Turnover picked up from 278m on Tuesday to about

shares outnumbered gainers 785 to 314. Bank of Tokyo-Mitsubishi lost 170.51 to close at Bank declined Bt0.30 to TOKYO fell 1.4 per cent on fell Y30 to Y1,455, Sakura 18,448.16 in volume of 8m Bt7.50. JAKARTA dropped

to Y872.

tie-up with HSBC. Utilities and railways The launch of investiga-strengthened slightly as tions into favours extended investors sought safe

to Mr Subarto's family and havens. The electricity and friends raised alarm over companies with Suharto links. Indofood, controlled by the Salim Group, which is the yea, which touched Y138 Suharto, was the leading to the dollar at one stage, loser of the day, falling helped some but not all Ep750 or S1 per cent to blue-chip exporters. Sony Rp1,675. Astra, the cargained Y130 to Y11,850, maker, fell Rp125 or 10 per cent to Rp1,075 and Indoce-

as foreign investors unloaded blue chips. Sentiheavy volume, in spite of ment was also hit by the announcing plans for a large weakening yen and the composite index lost 14.42 to 340.12 led by financials.

Thai Farmers Bank fell Bt5 to Bt56 while Bangkok 322m shares, but declining Bank lost Bt5 to Bt64.50. Securities One lost Bt0.10 to In Osaka, the OSE index Bt4.60, while Krung Thai

SYDNEY fell steeply pushed down by weak golds sharply as investors sold-off regional worries and the companies with connections overnight falls on Wall with former President Street. The golds sector

